

FRANCHISE DISCLOSURE DOCUMENT

Enviro-Master International Franchise, LLC

5200 77 Center Drive, Suite 500

Charlotte, NC 28217

www.enviro-master.com



An Enviro-Master International Franchise, LLC franchise (a “Franchised Business”) provides restroom hygiene, drain line management, window cleaning, power washing, paper, and chemical products and services to customers that include restaurants, including quick service and traditional, hotels, schools, and other types of commercial establishments. You may purchase a standard franchise or an individual operator franchise.

The total investment necessary to begin operation of a Franchised Business is estimated to be between \$265,510 - \$359,510 for a standard franchise and \$90,670 - \$114,670 for an individual operator franchise. This includes \$125,360 - \$131,860 for a standard franchise and \$66,420 - \$69,420 for an individual operator franchise that must be paid to Enviro-Master International Franchise, LLC.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 Enviro-Master or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure documents in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Enviro-Master at 5200 77 Center Drive, Suite 500 Charlotte, NC 28217, (704) 302-1016.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant. Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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.

Issued: March 31, 2023

Enviro-Master International Franchise, LLC FDD

March 31, 2023

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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 Exhibits C and D.
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 E 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 Enviro-Master 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 Enviro-Master franchisee?	Item 20 or Exhibits C and D 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 A.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in North Carolina. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in North Carolina than in your own state.
2. **Supplier Control.** You must purchase all or nearly all of your inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**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:

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. 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.
3. A provision that permits a franchisor to terminate a franchise before 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.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
5. 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.
6. 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.
7. 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:
 - (a) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

(d) 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.

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
9. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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:

Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa St.
P.O. Box 30212
Lansing, MI 48909
(517) 373-7117

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ITEM 1

ENVIRO-MASTER AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document, the terms “we,” “us,” “our” and “Enviro-Master” means Enviro-Master International Franchise, LLC, the franchisor. “You,” “your” or “Franchisee” means the person, corporation, partnership, limited liability company or other legal entity (“Legal Entity”) who is considering buying the Franchised Business. If you are a Legal Entity, “you,” “your” or “Franchisee” may include your shareholders, members, partners, officers and directors.

Predecessor, Parent and Affiliate.

Enviro-Master International Franchise, LLC is a North Carolina limited liability company, formed on December 30, 2013. Our predecessor is Enviro-Master Franchise, LLC, a North Carolina limited liability company formed on November 12, 2010 (“EMF”). EMF sold franchises from its inception in January 2011 until December 31, 2013, at which time its franchise business operations were transferred to us. EMF’s principal business address is the same as ours. We conduct business as “Enviro-Master” and not under any other name.

We are an indirect subsidiary of EMP Enviro-Master HoldCo, LLC (“HoldCo”), a Delaware limited liability company. On March 29, 2022, HoldCo, an affiliate of Eagle Merchant Partners (“EMP”), an Atlanta-based private equity investment firm with its principal place of business at 3060 Peachtree Road, NW, Suite 360, Atlanta, GA 30305, acquired control of us through intermediate holding companies, including Enviro-Master Holdings, LLC. The creation of these holding companies did not result in a transfer of any Enviro-Master franchise agreements, trademarks or other intellectual property related to the operation of the System (defined below). We remain the franchisor of the System and provide all required support and services to franchisees under their franchise agreements.

Address and Agent for Service of Process.

Our official address and principal business address is 5200 77 Center Drive Suite 500, Charlotte, NC 28217. Our agents for service of process are shown on **Exhibit A** to this document.

Other Affiliates with Franchise Programs.

We currently have two affiliates that own and operate Franchised Businesses. First, our affiliate Enviro-Master Charlotte, LLC, with a principal business address of 5200 77 Center Drive Suite 500, Charlotte, NC 28217, currently owns and operates a Franchised Business in Charlotte, North Carolina (“EM Charlotte”). Additionally, our affiliate Enviro-Master Myrtle Beach, LLC, with a principal business address of 5200 77 Center Drive Suite 500, Charlotte, NC 28217, currently owns and operates a Franchised Business in Myrtle Beach, South Carolina (“EM Myrtle Beach”). We consider these locations “Company” locations.

Through control with private equity funds managed by EMP we are also affiliated with the following franchise program:

Code Ninjas, LLC (“Code Ninjas”) is a franchisor of learning centers operating under the Code Ninjas trade name and business system providing child-focused educational programs focused on computer programming skills. Code Ninjas has been franchising since November 2016 and, as of December 31, 2022, there were approximately 380 Code Ninjas franchised outlets operating in the United States. Code Ninjas’ principal place of business is 2880 Broadway Bend Drive, Building #2, Pearland, TX 77584. Other than as described above, Code Ninjas has not offered franchises in any other line of business. Code Ninjas does not operate a Franchised Business.

The Business We Offer.

As a Franchisee, you will operate a business that specializes in the provision of restroom hygiene, drain line management, window cleaning, power washing, paper, and chemical products and other products and services approved by the franchisor or added to the Operations Manual (the “Manual”), to customers located in the territory described in Attachment A to your Franchise Agreement (the “Territory”), which include restaurants, including quick service and traditional, hotels, schools, and other commercial establishments. We also may authorize you to offer and sell additional products and services, which may involve your payment of additional fees.

As our franchisee, you will conduct business under the service mark “Enviro-Master” and any other identifying marks, trade names, logos and symbols that we use now, or that we later develop (the “Marks”), and use our unique system for the establishment, development and operation of a Franchised Business (the “System”). The System is characterized by a number of features including uniform systems and techniques for operation; software and computer programs; our selection of approved products that you may utilize, and certain products that we may require you to buy from us (“Approved Products”); and record keeping and reporting, personnel management, purchasing, sales promotion and advertising; customer service standards; and any guidelines, standards, specifications, rules, procedures, policies, methods, requirements, and directives we establish, including without limitation, our standards and specifications as to operations and equipment (the “Standards”) set forth in the Manual and otherwise in writing. The Manual includes the document called “Operations Manual” and all other written, electronic, video, and audio recorded policies, procedures, techniques, memos, bulletins, newsletter, forms, guidelines, and other materials prepared by us in connection with the System or to assist you in the operation of your Franchised Business. We may change, improve, add to, and further develop the elements of the System from time to time.

The form Franchise Agreement we currently offer (**Exhibit F** to this disclosure document) may have terms different from the various forms of agreement we or our predecessor has used in the past. We reserve the right to change the form and terms of the Franchise Agreement in the future.

We currently offer two types of Franchised Businesses: (1) a standard franchise that operates out of a brick and mortar location within the designated Territory that has both a designated warehouse space for storage of equipment and products and designated office space for meetings and performance of other office functions (a “Standard Franchise”) and (2) an individual operator franchise that operates within the designated Territory out of a truck or a van that meet our Standards, and that requires a smaller warehouse space than the Standard Franchise for storage of equipment and products (the “Individual Operator Franchise”). The Individual Operator Franchise is the same as our Standard Franchise, except, the initial fee is

lower, the Territory is smaller, and the minimum royalty requirements are lower. There may also be some differences in other fee requirements and required personnel. If you purchase an Individual Operator Franchise, you will sign our current standard Franchise Agreement as well as an Addendum to the Franchise Agreement—Individual Operator Franchise (“Individual Operator Franchise Addendum”) in the form attached hereto as **Exhibit G**. The information in this Franchise Disclosure Document relating to the Franchised Business applies to both our Standard Franchise and our Individual Operator Franchise, unless otherwise noted.

The Market.

We believe that the market for our services is well developed, broad, and expanding. Potential customers for our services include restaurants, hotels, schools, malls, convenience stores, drug stores, and other public buildings.

The Competition.

If you open a Franchised Business, your competition will include businesses offering restroom hygiene, window cleaning, power washing, paper, and chemicals, and companies that provide products used by commercial customers that do their own cleaning. Our biggest competitors are Cintas and Airmaster.

Prior Business Experience; Other Businesses.

Enviro-Master and our predecessor, EMF, has been offering franchises since January of 2011. EMF operated an Enviro-Master business in Charlotte, North Carolina from 2009 until August 2013, at which time this unit was transferred to a franchisee. In 2023, the Franchised Business in Charlotte, North Carolina became the EM Charlotte franchise. Neither we nor any affiliate has offered franchises in, or engaged in, other lines of business except for the operation of Code Ninjas, EM Charlotte and EM Myrtle Beach, and the sale to our franchisees of the products and services described in this disclosure document.

Applicable Regulations.

You must comply with federal, state, and local health and environmental safety regulations concerning the proper handling of cleaning fluids, and other products used in the Franchised Business. In addition, you will have to comply with federal, state, and local laws and regulations applicable to most businesses generally like workers’ compensation. You will also have to comply with federal, state and local laws and regulations that are specific to this Franchised Business. For example, there may be local laws that require you to secure a license or permit in order to advertise or provide the products and services offered by your Franchised Business. Some states, like California, may require you to secure a pest control license in order to advertise certain products and services. You should investigate the application of these laws further.

This Franchised Business includes providing restroom hygiene, drain line management, window cleaning, power washing, paper and chemical products, and other services, some of which are intended to reduce the spread of COVID-19. The laws, rules and regulations relating to COVID-19 are still developing and may have an impact on your Franchised Business. You must stay informed of these laws.

Compliance with these laws and regulations, as they may be amended from time to time, can increase your operational costs and affect your bottom line.

ITEM 2

BUSINESS EXPERIENCE

Tod Bierling: President and Chief Executive Officer

Mr. Bierling has served as President and Chief Executive Officer of Enviro-Master International Franchise, LLC in Charlotte, North Carolina since December 2022. From January 2021 until December 2022, Mr. Bierling served as President and Chief Operating Officer of Enviro-Master International Franchise, LLC in Charlotte, North Carolina. From December 2016 to December 2020, Mr. Bierling served as Chief Operating Officer of Enviro-Master International Franchise, LLC in Charlotte, North Carolina.

Rick Bridger: Chief Financial Officer

Mr. Bridger has served as Chief Financial Officer of Enviro-Master International Franchise, LLC in Charlotte, North Carolina since June 2017.

Steven Richey: Chief Revenue Officer

Mr. Richey has been Chief Revenue Officer of Enviro-Master International Franchise, LLC in Charlotte, North Carolina since June 2022. From November 2020 to May 2022, Mr. Richey was Vice President of Sales of Enviro-Master International Franchise, LLC in Charlotte, North Carolina. From October 2013 to October 2020, Mr. Richey was Regional Sales Manager for RSM US LLP in Atlanta, Georgia.

Larry Rushing III: Executive Vice President of Development

Mr. Rushing has been Executive Vice President of Development of Enviro-Master International Franchise, LLC in Charlotte, North Carolina since January 2022. From October 2018 to December 2021, Mr. Rushing served as Director of Franchise Development of Enviro-Master International Franchise, LLC in Charlotte, North Carolina. From March 2014 to October 2018, he served as Franchise Development Manager for Acti-Kare in Tampa, Florida.

Johnny Murphy: Senior Vice President of Operations

Mr. Murphy has been Senior Vice President of Operations of Enviro-Master International Franchise, LLC in Charlotte, North Carolina since October 2022. From April 2019 to April 2022, Mr. Murphy was Vice President of Purchasing for Enviro-Master International Franchise, LLC in Charlotte, North Carolina. From August 2017 to April 2019, Mr. Murphy was Project Team Leader for Diversey Holdings, Ltd. in Fort Mill, South Carolina.

Carson Suppe: Director of Franchise Development

Mr. Suppe has been Director of Franchise Development of Enviro-Master International Franchise, LLC in Charlotte, North Carolina since September 2022. From January 2017 to September 2022,

Mr. Suppe served as Senior Franchise Development Representative for Acti-Kare in Tampa, Florida.

ITEM 3 LITIGATION

Seattle Sanitation Services, Inc., et al. vs. Enviro-Master International Franchise, LLC, et al, Superior Court of the State of Washington for the County of King, Case Number: 18-2-54869-1 SEA (King County, Washington, filed November 16, 2018).

On November 17, 2018, we were notified that a lawsuit was filed against us, but had not been formally served on us, seeking a rescission of the Franchise Agreement and alleging violations of Washington State's Franchise Investment Protection Act. While we believed the case was entirely without merit, we agreed to settle this dispute by repurchasing the franchisee's territory for approximately one half of the Initial Franchise fee rather than incur litigation costs which would have been significantly greater. The action was dismissed on January 30, 2019 without ever having been served on us by the Franchisee.

There is no other litigation that 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

Standard Franchise

The initial franchise fee for a Standard Franchise is \$90,000, due upon execution of the Franchise Agreement. From time to time, in our sole discretion, we may briefly defer up to \$75,000 of the initial franchise fee for a Standard Franchise for certain prospects due to special circumstances, such as when a franchisee has been approved for third party financing but are still awaiting the funds. The deferral is typically between 6-8 weeks. In the last fiscal year, we gave a price reduction to the initial franchise fee of a Standard Franchise for existing franchisees or for franchisees who bought more than one Franchised Business at one time. In the last fiscal year, the discounted initial franchise fee for these Standard Franchises was \$50,000.

We do offer a discounted initial franchise fee for Standard Franchises of \$75,000 for those franchisees who complete their due diligence (i.e., they have completed the franchisee application process and are approved to become a franchisee, and they have received the Franchise Disclosure Document and all waiting periods for execution have expired) prior to attending a Discovery Day and are approved to sign their Franchise Agreement and pay their initial franchise fee at their Discovery Day. Discovery Day is an event held periodically that allows prospective franchisees to meet members of our team and to learn more about the Enviro-Master brand.

In addition, before you open your Franchised Business, you will need to purchase your initial inventory of supplies and products, which we estimate to be approximately \$10,500 to \$16,000. You must also purchase office furniture and equipment (deep cleaning machine, mixing equipment, and power washer) at an estimated cost of \$15,800 to \$16,800. The inventory and equipment purchase is not refundable.

Individual Operator Franchise

The initial franchise fee for an Individual Operator Franchise is \$50,000, due upon execution of the Franchise Agreement. In addition, before you open your Franchised Business, you will need to purchase your initial inventory of supplies and products, which we estimate to be approximately \$5,500 to \$7,500. You must also purchase equipment (deep cleaning machine, mixing equipment, and power washer) at an estimated cost of \$7,900 to \$8,900. You must lease certain equipment and your vehicle for the Individual Operator Franchise, at an estimated cost of \$1,250 per month. You may also be required to make a down payment on a vehicle for your Individual Operator Franchise, at an estimated cost of \$5,000. The inventory, vehicle and equipment purchases are not refundable.

Payment and Other Fees

We will not accept any initial franchise fee payment from you unless and until we have approved you and you have signed the Franchise Agreement. Upon the signing of the Franchise Agreement, the initial franchise fee is fully earned and non-refundable.

We will provide our initial training program (“Initial Training Program”) to up to two individuals. If you would like other individuals to attend the Initial Training Program, you must pay us \$2,500 per additional attendee. Per Section 12.7 of the Franchise Agreement, if you operate a Standard Franchise, you must recruit a minimum number of sales associate(s) prior to opening or taking over, in the case of purchasing an existing Franchised Business, provided the business being purchased does not have the required number of sales associates per Section 12.7 of the Franchise Agreement. If you sign additional franchise agreements, we may require you to complete our Initial Training Program again for those franchise agreements.

You will be required to utilize our internal employees who assist franchisees in identifying potential new clients and setting sales calls (the “Inside Sales Department”) for you and/or your sales associates for the first 90 days that you are in business. The cost of the inside sales activity is \$380 per week or \$4,560 for your first 3 months of operation.

We charge a \$5,000 refundable market deposit if you enter into a Market Reservation Agreement before signing a Franchise Agreement. A form of the Market Reservation Agreement is attached as **Exhibit I**. If you enter into a Franchise Agreement, the \$5,000 deposit will be credited toward your initial franchise fee. If you do not enter into a Franchise Agreement, the \$5,000 deposit will be refunded to you within thirty (30) days of your request for a refund.

Incentive Referral Program

From time to time, we may utilize incentive referral programs for our existing franchisees to refer franchise prospects to us. Under these programs, we may pay cash compensation or provide other benefits and inducements for the referral of qualified franchise prospects. The

compensation or benefit will not be paid unless the franchise prospect enters into a franchise agreement with us. These referral programs may be altered, modified, suspended, or terminated at any time. This referral program is available in all states except the State of Washington.

ITEM 6

OTHER FEES

Name of Fee ¹	Amount	Due Date	Remarks
Royalty Fees	6% of Gross Revenues ² or the minimum royalty fee defined in Attachment B of the Franchise Agreement ³ , whichever is greater.	Weekly	See Note 2 for definition of Gross Revenues. We may change the payment due date in the Manual or in a written notice to you. See Note 4 for payment procedure.
Admin/Service Fees	5% of Gross Revenues or \$125, whichever is greater.	Weekly	We provide you with most of the administrative services necessary to operate the Franchised Business (Item 11; see Section 4.3 of the Franchise Agreement). For these business services, you must pay us Admin/Service Fees. Your Admin/Service Fees equal 5% of Gross Revenues (see Note 2), or \$125, whichever is greater. The Admin/Service Fees, billed weekly, also cover the cost of the Approved Software and any updates to it (Item 11). We may make changes in the business services provided to you, and may reasonably reduce or increase the Admin/Service Fees based upon costs saved or additional costs incurred.
National Advertising Fee	2% of Gross Revenues	Weekly	You must contribute the National Advertising Fee to the National Advertising Fund. See Item 11.
Local Marketing Expenditure	2% of Gross Revenues	Weekly	You must contribute the Local Marketing Expenditure. See Item 11.
National/Regional Accounts Fee ⁵	Varies	When billed by us	We may charge you a commission of 4% of gross amount of revenue generated from National/Regional Accounts during the first 12 months of each account's service

Name of Fee ¹	Amount	Due Date	Remarks
			agreement, and after the first 12 months, a commission or ongoing management fee of 3% of Gross Revenue generated by each account. These are the current commissions we charge, but they are subject to change.
Consulting Fee	We currently charge all travel expenses plus \$150 per day for onsite consulting fees. We reserve the right to update or change this amount.	As incurred	We provide individual assistance at your request, subject to personnel availability.
Additional Training Fee	We currently charge \$325 per day, per person	As incurred	We provide supplemental and refresher training, as we determine necessary at times and locations designated by us.
Related Party Transfer Fee	\$2,500	At the time the transfer is approved	If you transfer the entire interest in the Franchised Business (i) to a corporation or limited liability company, owned wholly by you and formed for convenience of ownership, (ii) to an immediate family member (if you are an individual), or (iii) if you are a corporate entity, to your existing principals in the same ownership percentage as the principals owned the corporate entity, we will charge a Related Party Transfer Fee of \$2,500.
Franchise Agreement Transfer Fee	\$20,000 for Standard Franchises; \$10,000 for Individual Operator Franchises	Before transfer is effective	If you transfer a minority interest in your Standard Franchise, we will charge a Transfer Fee of \$20,000. If you transfer a minority interest in your Individual Operator Franchise, we will charge a Transfer Fee of \$10,000.
Franchise Resale Fee	\$50,000	Upon signing Franchise Agreement	When a territory is sold or franchisee has a change in control, the buyer will sign a new 5-year initial term Franchise Agreement and pay the Resale Fee.

Name of Fee ¹	Amount	Due Date	Remarks
Supplier Review Fee	Up to \$1,000	30 days after billing	Fee not to exceed our reasonable costs of inspecting and testing. We may require you to pay a fee if we determine that it is necessary to inspect the vendor's facilities or conduct tests to approve their product(s).
Products You Buy From Us	Varies	Upon Ordering	You must purchase certain products from us or our designated suppliers. We and our affiliates may earn a profit on the sale of products to you. See Item 8.
Renewal Fee	10% of the then-current initial franchise fee	Before renewal is effective	
Audits	Actual cost of audit, plus overdue amounts and interest	30 days after billing	Cost currently estimated at \$1,000 per day. If audit reveals that you have under-reported Gross Revenues ² by 2% or more, you must pay for the cost of the audit plus travel costs. Interest accrues from the due date of late payment.

Name of Fee ¹	Amount	Due Date	Remarks
National or Regional Conference Fee	Reasonable fees for attendance, plus costs of expenses such as food, travel and lodging	As incurred	Attendance at the National and Regional Conferences is mandatory for you, your operations manager and all sales persons.
Missed Conference Charge and Resulting Additional Training	\$3,000 per person failing to attend, plus actual cost to send trainers to train your staff	As Incurred	If any of your employees fails to attend a National or Regional Conference, we will charge you \$3,000 per each person not attending. We also may send our trainers to train you and your staff on training items covered at that meeting and require you to reimburse us for the trainers' wages and all travel expenses of the trainers.
Late Payment Interest	1.5 % per month or the highest rate allowable by law, whichever is lower, on amounts past due	When payment is past due	Interest accrues on amounts from the date due until paid.
Insufficient Funds Charge	\$100	At time funds are rejected	
Purchase of products from alternate suppliers	12% of the dollar amount purchased from an approved supplier that is not us	Upon purchase	Franchisee purchases products from alternative suppliers, once approved.
Taxes and Other Payments	Varies	30 days after billing	See Note 7.
Insurance	Varies	On demand	If you fail to purchase required insurance, you must reimburse our cost to us if we purchase insurance on your behalf.
Indemnification	Varies	On demand	You must indemnify us and our affiliates and personnel from all losses and expenses (as defined in Section 9.4 of the Franchise Agreement) incurred in any claim involving acts, errors or omissions by you or your employees, agents or contractors,

Name of Fee ¹	Amount	Due Date	Remarks
			unless the claim results directly from your having operated in compliance with our written instructions.
Deficiencies	Varies	On demand	If you fail to correct any deficiencies discovered in an inspection, we may make the corrections at your expense and charge you a Repeated Inspection Fee (as described below).
Repeated Inspection Fee	\$500/per person/per day, plus all travel costs and expenses of inspection	On demand	If you fail an inspection and we or our representatives return to inspect you to confirm you have remedied the deficiency, you must pay us the cost of the inspection, including the travel and living expenses of our representatives.
Non-Compliance Fee	Up to \$500 each time you default and for each week (or portion thereof) that the default continues	As stated in our notice	Only required, at our option, if you have committed an event of default under the Franchise Agreement.
Temporary Management Fee	30% of Gross Revenues ¹ , plus actual fees and expenses	As incurred	We may, but are not required to, appoint a temporary manager of the franchised business if we reasonably determine that a material default of the franchise agreement exists or is imminent. See Franchise Agreement, Section 13.13.
Inside Sales Activity	\$380 per week for the first 90 days after you are open	Weekly	You will be required to utilize our Inside Sales department to set sales appointments for you and/or your sales associates for the first 90 days that you are in business.
Local Digital Marketing Campaign	\$1,500/month	Monthly	You will be required to utilize our approved vendor and the current cost is \$1,500 per month payable to us for pay-per-click advertising and search engine optimization. At your election, you may spend more than the monthly required amount. We collect the \$1,500 monthly fee from all franchisees and remit it directly to the vendor.

Name of Fee ¹	Amount	Due Date	Remarks
Sales Training Program	\$750 per four week period, per sales associate. This fee is subject to change.	As incurred	If you elect to participate in a sales training program for your Sales Associates(s), you must use our preferred vendor, Learn.Practice.Do, or another vendor approved by us. If you use Learn.Practice.Do, we will withdraw fees from your account on behalf of Learn.Practice.Do and remit payment on your behalf and remit it directly to Learn.Practice.Do.

Note 1. Unless otherwise expressly indicated, all of the fees listed in Item 6 are: nonrefundable; imposed by us; payable to us; and uniformly imposed. We reserve the right to vary fees in our discretion. Currently, there are no cooperatives, and therefore, no voting by members of cooperatives.

Note 2. Gross Revenues. “Gross Revenues” is defined as all revenues and income earned, received or accrued by, as a result of or on behalf of the Franchised Business from any source, whether for cash, credit or barter, including without limitation, fees charged to customers such as “service fees,” “cleanout fees,” “delivery fees,” “installation fees,” and “installation deposits.” “Gross Revenues” exclude sales taxes you pay to a governmental agency, and revenues not generated by the operations of the Franchised Business (e.g. investment income). You may deduct refunds, discounts or allowances from Gross Revenues only if you included such amounts in Gross Revenues, and only if you comply with our policies for reporting and taking the deductions.

Note 3. Minimum Royalties. You will pay us the greater of (i) the Royalty Fee equal to 6% of Gross Revenue, or (ii) the “Minimum Royalty” due under the Franchise Agreement. At the end of each calendar year of the term of the Franchise Agreement, we will invoice you for the difference between the annualized Minimum Royalty and the Royalty Fees that you actually paid that calendar year. The current annualized Minimum Royalty for the initial 5 year term of the Franchise Agreement for a Standard Franchise is as follows:

Year of Operation	Minimum Annual Royalties
1	None
2	\$18,000
3	\$36,000
4	\$54,000
5	\$72,000

The current annualized Minimum Royalty for the initial 5 year term of the Franchise Agreement for an Individual Operator Franchise is as follows:

Year of Operation	Minimum Annual Royalties
1	None
2	\$11,250
3	\$22,500
4	\$33,750
5	\$45,000

These fees may be subject to change.

Note 4. Payment Procedures.

When Due. Each week, we will determine your franchisee fees due (royalties, admin/service and advertising) based upon your reports or on our own information documenting your Gross Revenues. We will provide an invoice to you showing our calculations of the amount due and the amount to be deducted from revenues we collect on your behalf. If we have not received sufficient customer collections on your behalf to offset our weekly franchise fee, we will then deduct the amount shown due on your weekly fee statement via an electronic funds transfer debit to your bank account (as described in (b) below) to pay all monies due.

Method of Payment. We will have the right to receive payment of your fees by electronic funds transfers from your bank account to ours. You must provide us with your bank's name, address and account number, along with a voided check from the account. You must sign and give to us and your bank all documents necessary for us to commence making electronic funds transfers, and for us to continue to do so throughout the term of your franchise. You must make deposits to your account as needed to make funds available for transfer to us, and may not close that account without our prior written consent.

Late Payments. If any payments are received by us after the date due (i) you must pay to us, monthly and in addition to the amount due, interest in the sum of 1.5% per month of the amount due or the highest rate allowable by law, whichever is lower, from the date due and until paid in full; and (ii) we can terminate the Franchised Business as provided under Section 17 of the Franchise Agreement.

Note 5. National/Regional Accounts Fee. You will pay a monthly commission for all accounts sold and managed by our accounts team. During the first 12 months, you will pay a 4% commission based on Gross Revenue generated by our accounts team for you. After the first 12 months, you will pay a 3% commission on Gross Revenue generated by our accounts team for you. During the term of the service agreement, if our accounts team upsells an additional product

or service, then you will pay a 4% commission on the Gross Revenue generated from the additional product or service for each month for the following 12 months of the service agreement. These commissions are subject to change during the term of your service agreement.

Note 6. Refurbishment. Refurbishments may include structural changes, installation of new equipment and signs, remodeling, redecoration and modifications to existing improvements. We are unable to estimate your costs for future Refurbishments which will vary from Franchised Business to Franchised Business based on a number of factors like: (i) the market where your Franchised Business is located; (ii) the size of your Franchised Business; (iii) when your Franchised Business was last refurbished, if applicable; (iv) the amount of ENVIRO-MASTER® franchise system changes since the last refurbishment; and (v) the overall condition of your Franchised Business site and equipment.

Note 7. Taxes. You must pay us or our affiliates (i) all sales taxes, corporate taxes, and any similar taxes paid by us on your behalf, imposed on us, or required to be collected by us on account of products or services we furnish to you (through sale, lease, or otherwise) or on account of our collection of any fee related to the Franchise Agreement; (ii) all franchise or similar taxes, whether based on gross receipts, gross revenues, Royalty Fees, advertising contributions, or otherwise, imposed on, required to be collected by, or paid by us; (iii) all marketplace facilitator or similar taxes imposed on, required to be collected by, or paid by us in connection with your use of our website, internet sites, applications, or online ordering platforms; (iv) all other amounts we pay or must pay for you for any reason; and (v) any other fees or expenses that we are entitled to collect from you.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT: STANDARD FRANCHISE

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$90,000	Lump Sum	At signing of Franchise Agreement	Us
Initial Equipment, Signage and Furniture Package ²	\$15,800 to \$16,800	As incurred	Prior to Opening	Us
Equipment & Vehicle Lease ²	\$1,250	Monthly	Before Opening	Suppliers
Vehicle Down Payment ²	\$5,000	Lum Sum	Before Opening	Suppliers
Inside Sales Activity ³	\$4,560 (\$380/week)	Weekly	During Training	Us
Local Digital Marketing Campaign ⁴	\$4,500 (\$1,500/month)	Monthly	During Training	Us

Opening Inventory ⁵	\$10,500 to \$16,000	Lump Sum	Prior to Opening	Us
Deposits and Prepaid Expenses ⁶	\$500 to \$1,000	Lump Sum	Before Opening	Suppliers
Permits and Licenses ⁷	\$200 to \$500	Lump Sum	Before Opening	Government Agencies
Insurance ⁸	\$2,300 to \$3,800	As Incurred	Before Opening	Insurance Carriers
Travel and Living Expenses while Training ⁹	\$4,000 to \$7,600	As Incurred	Before Opening	Airline, Hotel and Others
Rent ¹⁰	\$2,400 to \$4,000	As Incurred	Upon signing lease + Monthly	Landlord
Professional Fees	\$500 to \$2,500	As Incurred	As required	Your Accountant, Attorney or other Professionals
Additional Funds (12 Months) ¹¹	\$124,000 to \$202,000	As incurred	As required	Employees, Vendors, etc.
TOTAL ¹²	\$265,510 to \$359,510			

YOUR ESTIMATED INITIAL INVESTMENT: INDIVIDUAL OPERATOR FRANCHISE

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$50,000	Lump Sum	At Signing	Us
Equipment ²	\$7,900 to \$8,900	Lump Sum	Before Opening	Us
Equipment & Vehicle Lease ²	\$1,250	Monthly	Before Opening	Suppliers
Vehicle Down Payment ²	\$5,000	Lump Sum	Before Opening	Suppliers
Inside Sales Activity ³	\$1,520	Monthly as incurred	During Training	Us
Local Digital Marketing ⁴	\$1,500	Monthly	During Training	Us
Opening Inventory ⁵	\$5,500 to \$7,500	Lump Sum	Before Opening	Us
Deposits and Prepaid Expenses ⁶	\$500 to \$1,000	Lump Sum	Before Opening	Suppliers
Permits and Licenses ⁷	\$200 to \$500	Monthly	Before Opening	Governmental Agencies

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Insurance ⁸	\$2,300 to \$3,800	As Incurred	Before Opening	Insurance Carriers
Travel and Living expenses while training ⁹	\$4,000 to \$5,200	As Incurred	Before Opening	Airline, Hotel and Others
Rent ¹⁰	\$500 to \$1,000	As Incurred	Upon Signing Lease + Monthly	Landlord
Professional fees	\$500 to \$2,500	As Incurred	As Required	Your Accountant, Attorney or other Professionals
Additional Funds ¹¹	\$10,000 to \$25,000	As Incurred	As Required	Employees, Vendors, etc.
Total	\$90,670 to \$114,670			

NOTES TO TABLES

1. See Item 5.
2. For a Standard Franchise, you will need office furniture, one or more personal computers, handheld computer device (e.g. cellphone), office telephone(s) with voicemail, shelves and files (see Item 11). For an Individual Operator Franchise, you will need one or more personal computers, and a handheld computer device (e.g. cellphone). For either a Standard Franchise or an Individual Operator Franchise, you will need to buy or lease a truck or van that meets our Standards, which may require a down payment as well as monthly payments. You must outfit the required vehicle and install our logo package, all as specified in our Manual or other written materials. For both a Standard Franchise and an Individual Operator Franchise, you will need a deep cleaning machine for Sani Scrub service, a mixing machine for hand soap, a power washer, a minimum of 2 electrostatic sprayers and any other items necessary to provide proscribed services to clients. All of these items are included in this estimate.
3. See Items 5 and 6. The cost of this is \$38 per appointment, or \$380 per week, which we estimate (but do not guarantee) will yield 10 appointments per week.
4. See Item 6.
5. If you are a new franchisee, you will need to purchase initial inventory from us. All products used in the Franchised Business must meet our standards and specifications.
6. The estimate includes deposits that may be refundable to you at a later time.

7. You are responsible for obtaining all permits and license necessary for you to operate your business. You can obtain information from your local municipality, county and state authorities regarding the specific legal requirements for business licenses and related types of expenses in your local area.

8. You must obtain and maintain insurance coverage as we direct. Insurance costs may vary in different localities. The estimate above is for: (a) one year of an all risks policy, providing liability insurance coverage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate; (b) workers' compensation insurance; (c) automobile liability insurance coverage of \$2,000,000, naming us as Additional Insured; (d) umbrella liability policy in the amount ranging from of \$1,000,000 to \$4,000,000 in the aggregate and each occurrence, depending on the revenue of the Franchised Business; (e) property insurance with a coverage amount of at least \$25,000; and (f) pollution insurance policy in the amount of \$500,000 per occurrence. We may require you to get and keep additional types of insurance and coverage, as provided under the Franchise Agreement.

9. This estimate does not include training fees which would apply if you decide to send more than two people to initial training. The estimate does not include costs of transportation, which would vary according to distance and mode of transportation. You should contact airlines or other carriers for information about fares from your area to Charlotte, North Carolina where the 10 days of initial training generally occurs, and where the field sales training portion of initial training generally occurs.

10. For a Standard Franchise, you must rent or purchase office space that has adequate access for large trucks to make deliveries and is connected to sufficient warehouse space for the products and supplies your Franchised Business will use. For a Standard Franchise, the office likely will be located in a commercial or industrial office center. You may not operate a Standard Franchise out of your home. For a Standard Franchise, you will incur costs to set up an office, including rent and the cost to furnish the office in accordance with the Standards. Your office should also contain approximately 2,500 combined square feet of office and warehouse space, with sturdy shelves for storing product inventory. Th estimate for a Standard Franchise assumes monthly rent plus one month's rent as a deposit to your landlord. You may be able to negotiate multiple months of free rent depending on your market and the leasing environment for warehouse and mixed-use space. For an Individual Operator Franchise, you must rent or purchase storage space that has adequate space to store a power washing trailer, with access to power and water. Your storage space should be approximately 400 square feet. The estimate for an Individual Operator Franchise assumes monthly rent plus one month's rent as a deposit to your landlord.

11. These are estimates only of the ranges of additional funds you may need during the initial phase of your Franchised Business. We estimate that, in general, you may require operational funds for approximately twelve months after starting the Franchised Business. This estimate does not include owner's salary.

12. All figures in the above table are estimates based on our experience franchising Franchised Businesses. Your actual investment, expenditures and initial cash outlay will vary depending on many factors, including the warehouse size and location, whether you choose to use a van for your Franchised Business and whether you follow the Standards. The fees you pay

to us are not refundable. The fees you pay to a third-party vendor may be refundable, in the sole discretion of the vendor. We do not offer direct or indirect financing for these items.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases.

You are required to obtain certain products and services from Enviro-Master or suppliers that we designate (an "Approved Supplier"), including restroom hygiene chemicals, drain line management products, paper products, uniforms, marketing materials, and any other items which are added to the Enviro-Master unit including initial opening inventory. We will periodically designate, through the Manual or other written notice, the products which must be purchased from Approved Suppliers, and will notify you of the Approved Supplier for each product. We may keep lists of Approved Suppliers for certain products or services, and we may update the lists and issue them to you. You may not directly or indirectly purchase products from unapproved suppliers, except in emergency circumstances and with our prior written consent.

You must purchase or lease at your expense the following: supplies, products, inventories, fixtures, and/or, equipment relating to the establishment and operation of your Franchise Business. You must also purchase the following on-going business services: (1) provision of Approved Software (see Item 11); (2) invoicing of all credit/charge accounts; (3) preparation of monthly statements of account; and (4) centralized ordering of supplies (collectively, the "Business Services").

Other than office supplies for a Standard Franchise, and the items listed in the table below, all of these products and services must be purchased from us, or Approved Suppliers, including the Initial Equipment Package (described below), the Business Services, restroom hygiene chemicals, drain line management products, paper products and product inventory. The Initial Equipment Package consists of: (1) Mixing Tank, (2) Mixer, (3) Kaivak floor Scrubbing machine (4) 3 Electrostatic spray guns, (5) 1 backpack Sprayer and (6) power washer.

We estimate that the proportion of required purchases and leases to the total purchases and leases necessary to establish and open the Franchised Business is approximately 80%. Required purchases in the ongoing operation of the Franchised Business will depend upon many factors, including general economic conditions and the growth of your customer base. Your required purchases will escalate as your product sales increase with the growth of your Franchised Business. Except as specified for inventory, administrative services, sales training program and ongoing product purchases, as well as certain accounting, bookkeeping and financial services including payroll, you can purchase the below items from any supplier you choose:

Computer Hardware	You must purchase (if you do not already own) a personal computer. You must also obtain and use the Hand-Held Device described in Item 11. We will provide you with specifications for the Hand-Held Device in the Manual and/or materials.
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Computer Software	<p>You need to purchase computer operating software for your personal computer, which will be at your expense.</p> <p>We will provide you with the Approved Software (described in Item 11), either directly or through a third-party provider, and well as any updates. The cost for the Approved Software and updates is covered through your monthly Admin/Service Fee described in Item 6.</p>
Internet Access	You must obtain Internet access for business communications.
Vehicle	You are required to buy or lease a new truck or van that complies with our specifications. You must outfit it and install our logo package, all as specified in our Manual or other written materials.
Equipment	For a Standard Franchise, equipment includes a desk, telephone, voice mail, shelving and files, conference room furniture and other office furniture as required. For a Standard Franchise or Individual Operator Franchise, equipment includes a computer, deep cleaning machine, mixing equipment, printer/scanner/fax machine, and electrostatic sprayers. Conference room furniture and other office furniture as required. You will need to buy a power washer from our designated supplier.
Opening Inventory	You must purchase your opening inventory from us. See Item 7.
Ongoing product and service purchases	You will buy all or nearly all of your products from us, as well as administrative services.
Insurance	You will need to purchase insurance from a carrier we approve.
Accounting Services	You will need to purchase accounting services from our designated vendor, currently Top 2 Bottom Business Solutions.
Sales Training Program	If you elect to participate in a sales training program for your Sales Associates(s), you must use our preferred vendor, Learn.Practice.Do, or another vendor approved by us. If you use Learn.Practice.Do, we will withdraw fees from your account on behalf of Learn.Practice.Do and remit payment on your behalf to Learn.Practice.Do. Currently, Learn.Practice.Do charges \$750 per four-week period, per Sales Associate.

Required and Approved Suppliers.

As of the date of this franchise disclosure document, we are the only Approved Supplier for all products and supplies used in your business (other than office supplies and as otherwise described in the table above) such as restroom hygiene chemicals, drain line management

products, and paper products and for the initial opening inventories. You must also purchase your Initial Equipment Package from us. As of the date of this franchise disclosure document, we are the only Approved Supplier of the Business Services.

Approval of Alternative Suppliers.

You may propose a new supplier for our consideration. We may keep a list of criteria for reviewing proposed new suppliers, and we may require inspections and performance reviews of proposed suppliers. We will approve or disapprove suppliers based on our criteria. We may approve new suppliers or revoke past approvals of suppliers upon reasonable written notice to you.

You may request in writing our review of a proposed supplier. If we determine that it is necessary to inspect the supplier's facilities or conduct tests, we may require you to pay a Supplier Review Fee not to exceed its reasonable costs (see Item 6). We currently charge a fee of up to \$2,500 to you to cover our costs in reviewing and approving any alternative suppliers. We will attempt to provide you with written notification of a decision regarding the designation of a supplier which you have proposed within 60 days after receipt of your request, or within 30 days after completing any inspections or testing, whichever is later. We will not unreasonably withhold approval of a proposed supplier, but we may impose reasonable limits on the number of Approved Suppliers in our System at any time, and may designate ourselves and our affiliates as the sole suppliers of particular products. The sale of products is a significant source of income to Franchisor. Thus, if we approve a new supplier that you have proposed and you purchase products from that supplier, then you will pay to us a twelve percent (12%) mark-up fee or the mark up equal to that charged by us for like product, whichever is greater, on all such items purchased.

We may require that you use our Approved Supplier for the Local Digital Marketing Campaign that is mandatory for all franchisees, and we reserve the right to not approve any alternative supplier for this service because the campaigns are most effective if coordinated nationally, and because it will be unduly burdensome for any then-currently Approved Supplier to be required to coordinate with an alternative vendor that you suggest we approve.

Interest in Approved Suppliers.

Currently, neither Enviro-Master nor any officer has any interest in any company, nor do we have any affiliate, which provides products or services to our franchisees. Our affiliate EM Capital Services, LLC has provided financial services and sold acquired customer lists to franchisees in the past, but it is not currently offering any of these services to new franchisees.

Issuance of Standards and Specifications.

We maintain written lists of specifications that we have formulated for products. We update our lists and issue the updated lists to you. We furnish our specifications to proposed designated suppliers on request, but only on a confidential basis. We may modify specifications upon reasonable written notice to you. We will consider your written request for a modification of a specification, if you explain the reason for the requested modification (or for the approval of any product we have not previously approved) and provide us with sufficient technical data to enable us to evaluate your request. We may perform inspections or tests to determine if any product

meets our specifications. We will provide you with notification of approval or disapproval within 60 days after receipt of your request, or 30 days after completing any inspections or testing, whichever is later. We will approve a request if it is determined that a modified specification is appropriate or that any product meets its specifications.

Insurance.

You must purchase all insurance from a company specified by us, which must have an A.M Best rating of A-VII or better. All insurance will provide coverage as specified in the Manual and the Certificate of Insurance and policy will name us as an additional named insured including (1) Workers Compensation & Employers Liability; (2) Automobile Liability insurance (including Hired & Non-Owned Auto Liability); (3) Comprehensive General Liability Insurance, including products and completed operations and personal injury protection; (4) Umbrella Liability; (5) Property Insurance; (6) Employment Practices liability policy; (7) Pollution Insurance Policy; and (8) other insurance coverage as required by applicable law in the greater of the amount set forth below or as required by the state/province in which the Franchised Business operates, all in forms satisfactory to us and in at least the following minimum amounts:

Commercial General Liability (Occurrence Form)

General Aggregate (other than Prod/Comp Ops Liability)	\$2,000,000
Products/Completed Operations Aggregate	\$2,000,000
Personal & Advertising Injury Liability	\$1,000,000
Each Occurrence	\$1,000,000

Commercial Automobile Liability

Combined Single Limit	\$1,000,000 each accident
Hired and Non-Owned Auto	\$1,000,000 each accident

Workers Compensation and Employer’s Liability

Workers’ Compensation	State Statutory Limits
Employer’s Liability	
Bodily Injury by Accident	\$1,000,000 each accident
Bodily Injury by Disease	\$1,000,000 policy limit
Bodily Injury by Disease	\$1,000,000 each employee

Umbrella Liability (to overlay General Liability, Auto Liability and Employers Liability coverages)

Each Occurrence and Aggregate	\$1,000,000 (less than \$2mm revenue)
Each Occurrence and Aggregate	\$2,000,000 (\$2mm - \$3mm revenue)
Each Occurrence and Aggregate	\$3,000,000 (\$3mm - \$4mm revenue)
Each Occurrence and Aggregate	\$4,000,000 (greater than \$4mm revenue)

Employment Practices Liability

In the minimum amount of \$1,000,000, or such other minimum amount we may require from time to time, and with the maximum required retainage we designate from time to time.

Insurance must, to the extent available at reasonable and standard rates, as determined by us, in our sole discretion, cover your indemnification obligations to us under the Franchise Agreement.

Pollution Liability

Each Occurrence	\$500,000
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Property Insurance

The minimum coverage amount of \$25,000, or such other amount that we designate from time to time.

Revenue from Franchisee Purchases.

We receive revenue from the sale of supplies, inventory and equipment to franchisees. During the year ending December 31, 2022, we received approximately \$11,014,517 from franchisee purchases from us, representing 44.6% of our total revenues of approximately \$24,715,805. Required purchases or leases are estimated to make up 54% of the franchisee's total initial investment and 15% of a franchisee's annual operating expenses. We may earn a profit on our sale of such products to you, provided the product is competitively priced.

We currently receive a rebate of \$900 per power washer from our third party Approved Supplier, which increases to \$1,300 per power washer after 40 units are sold within a single year. We reserve the right to contract with other third parties for supplies, inventory and equipment, and in such case, may agree that the third-party supplier will provide us with a rebate, provided the product is competitively priced. As of the date of this disclosure document, none of our affiliates derive any revenue, rebates or other material consideration based on the required purchases or leases from franchisees.

Cooperatives; Negotiated Prices; Material Benefits.

We do not have any purchasing or distribution cooperatives. We negotiate purchase arrangements with suppliers for the benefit of franchisees, including volume purchase pricing. If deemed in the best interest of the franchise system, we may discontinue providing any product

or service to you by providing you with at least 30 days' written notice. If deemed in the best interest of the franchise system, we may periodically change the business services that we provide and reasonably adjust the service fees that you must pay for the business services. If we change the business services offered to you, or incur reduced or increased costs in providing business services, we may reduce or increase the service fees based on the reasonable costs saved, or additional costs incurred. If we discontinue any business services involving the reporting of Gross Revenues or the collection of royalty and other fees, you must comply with our reasonable reporting and collection procedures as provided in the Manual. We will strive to offer products and services which are competitively priced. We currently require and will continue to require that you purchase accounting and bookkeeping services from our designated vendor.

We do not provide any material benefit to you (such as renewal of a franchise) if you purchase particular products or services, or use particular suppliers.

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 other items in this disclosure document.

Obligation	Section in Franchise Agreement; Individual Operator Franchise Addendum	Item in Franchise Disclosure Document
(a) Site selection and acquisition/lease	1.3 – 1.5 of Franchise Agreement; Section B of Individual Operator Franchise Addendum	7
(b) Pre-opening purchases/ leases	3.1, 9.1, 12.5,12.7, 13.3, 13.11 & 14.1	5, 6 and 7
(c) Site development and other pre-opening requirements	1.3 & 13.3 of Franchise Agreement; Section B of Individual Operator Franchise Addendum	7
(d) Initial & ongoing training	12	6, 7 and 11
(e) Opening	1.3 & 13.3 of Franchise Agreement; Sections B & H of Individual Operator Franchise Addendum	7
(f) Fees	2.3(f) and (g), 3, 4.4, 11.4(b), 11.5, 12.5, 12.8, 13.11, 13.12, 13.13(b), 14.3, 14.3(b), 17.1(m), 17.1(o), & 22.2 of Franchise Agreement; Sections C, E, J	5, 6, 7 and 11

Obligation	Section in Franchise Agreement; Individual Operator Franchise Addendum	Item in Franchise Disclosure Document
	& K of Individual Operator Franchise Addendum	
(g) Compliance with standards & policies/ operations manual	1.2, 4.1(b)-(c), 7, 13.1-13.12, 14.1 & 14.2 of Franchise Agreement; Sections D of Individual Operator Franchise Addendum	1, 8 and 11
(h) Trademarks & proprietary information	5, 6, 7, & 15.1	13 and 14
(i) Restrictions on products/services offered	1.2, 1.5, 1.6,1.8, 13.7, 13.11 & 14	16
(j) Warranty & customer service requirements	13.9	Not applicable
(k) Territorial development & sales quotas	1.4 - 1.7 & 12.7	12
(l) Ongoing product/service purchases	4.3, 4.6, 9.1 & 14	6, 7 and 8
(m) Maintenance, appearance and remodeling requirements	13 of Franchise Agreement; Section G of Individual Operator Franchise Addendum	6
(n) Insurance	9.1, 9.2 & 9.5	6 and 7
(o) Advertising	15	6, 7 and 11
(p) Indemnification	9.3 - 9.7	6
(q) Owner's participation/ management/staffing	10, 12.1, 12.6, & 12.7 of Franchise Agreement; Section F & G of Individual Operator Franchise	15
(r) Records & reports	8	Not applicable
(s) Inspections & audits	8.7, 12.7 & 13.14	6
(t) Transfer	11 of Franchise Agreement; Section E of Individual Operator Franchise	17

Obligation	Section in Franchise Agreement; Individual Operator Franchise Addendum	Item in Franchise Disclosure Document
(u) Renewal	2.2 & 2.3	17
(v) Post-termination obligations	18	15 and 25
(w) Non-competition covenants	20	14 and 15
(x) Dispute resolution	22	20
(y) Other: Temporary Management by Enviro-Master	13.13	8

ITEM 10

FINANCING

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

ITEM 11

FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Enviro-Master is not required to provide you with any assistance.

Pre-Opening Assistance. Before you open your Franchised Business, we will:

- a. Designate your Territory (Franchise Agreement, Section 1.1);
- b. Provide you and your managers with initial training (including if you acquire an existing Franchised Business), at times and locations we designate (Franchise Agreement, Section 4.1(a));
- c. Loan you a copy of our Manual and other manuals and training aids we designate for use in the System by all franchisees, as we may revise from time to time (Franchise Agreement, section 7);
- d. Provide you with Approved Software (Franchise Agreement, Section 4.3);
- e. Provide you with our logo, make available for purchase on our storefront an initial supply of forms and business materials, and provide specifications for stationery and other printed materials you must use in the Franchised Business (Franchise Agreement, Section 4.1(c)); and
- f. Advise you in preparing to open the Franchised Business, including specifications and procedures for obtaining products and equipment from Approved Suppliers, providing

Approved Products and services, advertising and promoting the business, and operating the business (Franchise Agreement, Section 4.1(b) and 4.1(e)). We do not install any of the products or equipment for you.

Site Selection.

We do not approve or assist you in locating a site for the Franchised Business. We or our affiliates typically do not lease or sublease locations for Franchised Business. You must conduct an independent evaluation of the site. Your site must be within your Territory and must be subject to a lease which requires our prior acceptance. You will be solely responsible for negotiation of the terms of your lease and performance under the lease. We disclaim any responsibility for the suitability of your lease. Our acceptance of the lease is solely based on the site and lease satisfying our minimum site selection criteria.

For a Standard Franchise, your warehouse location must be approved by our approved redistribution vendor to receive deliveries. Your warehouse location for a Standard Franchise must also meet our criteria as set forth in the Manual, including without limitation, criteria for location and appearance. The inside of your warehouse location for a Standard Franchise must have both designated warehouse space for storage of equipment and products, and designated office space for meetings and performance of other office functions. You must build out and furnish your warehouse location for a Standard Franchise in accordance with our specifications and trade dress. For an Individual Operator Franchise, your warehouse location must meet our criteria as set forth in the Manual, including without limitation, criteria for location and appearance.

Except as described in this Item 11, we do not provide assistance with (i) conforming your warehouse location to local ordinances and building codes, (ii) obtaining required permits, and/or constructing, remodeling or decorating your Franchised Business, and/or (iii) hiring and training employees.

Typical Length of Time to Open.

It typically takes between one to three months between the earlier of the date you sign this agreement and pay the initial franchise fee and the date you open for business. The time it takes to open may be affected by many different factors, including the time it takes you to obtain financing, hire key personnel, complete training, your ability to obtain a business license, obtain a lease and move into your space, install equipment, and to purchase and fit a van, etc.

You must open your Franchised Business at the accepted location for your site within 90 days after the execution of your Franchise Agreement (the "Opening Deadline"). We may terminate your Franchise Agreement if you fail to meet the Opening Deadline.

Continuing Assistance. During the operation of your Franchised Business, we will:

- a. Continue training, primarily your managers, at times, at locations and for fees we designate, currently about \$325 per day, per person. (Franchise Agreement, Section 4.2(b));
- b. Provide you with updated lists of Approved Products (by brand name and/or by specifications) and services, and updated lists of Approved Suppliers for such products and services (Franchise Agreement, Section 4.2(d));

- c. Review new suppliers you propose, subject to your possible payment of Supplier Review Fees (see Items 8 and 9) (Franchise Agreement Section 14.3);
- d. Provide other communications, resources and assistance that we develop and offer to all franchisees (Franchise Agreement Section 4.2);
- e. Provide information regarding services and products (Franchise Agreement Section 4.6);
- f. Facilitate credit card payments by customers (Franchise Agreement Section 4.3);
- g. Manage and collect your accounts receivable (Franchise Agreement Section 4.3); Invoice all credit/charge accounts (Franchise Agreement Section 4.3);
- h. Prepare your monthly statements of account to customers (Franchise Agreement Section 4.3);
- i. Provide centralized ordering of supplies always, subject to your local unit decisions on ordering (Franchise Agreement Section 4.3);
- j. Provide support services we consider advisable. We may provide these services on-site, by telephone, or through other means. Timing will depend on availability of our personnel. Support services may include procedures for administration, bookkeeping and inventory control, as well helping you resolve operational problems you may encounter (Franchise Agreement Section 4.3 and 4.4);
- k. Review and approve advertising, marketing and promotional materials (Franchise Agreement Section 4.1(c) & (e)); and
- l. Coordinate the local digital marketing campaign (Franchise Agreement Section 15.2(d)).

National Advertising Fee.

We are not obligated to conduct any advertising or spend any amount on advertising in your Territory. We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials that we prepare.

We will allocate your National Advertising Fee to a fund for promotion of the Franchised Business, the Marks and the System (the "National Advertising Fund"). You must pay a National Advertising Fee to the National Advertising Fund in the amount of 2% of the weekly Gross Revenue (as defined in Section 3.5 of the Franchise Agreement) of the Franchised Business. Your National Advertising Fee is in addition to your National/Regional Accounts Fee and Digital Advertising Campaign contribution.

We currently do not, and are not required to, maintain the National Advertising Fund, your National Advertising Fees, or income earned from contributions to the National Advertising Fund, in a separate account from our other money. Our other franchisees may not be required to contribute to the National Advertising Fund, may be required to contribute to the National Advertising Fund at a different rate than you, or may be required to contribute to a different advertising fund. Franchisor-owned outlets, if any, will not be required to contribute to the National Advertising Fund.

We or an affiliate will administer the National Advertising Fund. We have sole authority to direct all advertising programs and promotions and use of the National Advertising Fund, with sole control over the creative concepts, materials and media used in the programs, and the placement and allocation of advertising. We reserve the right to use any media, create any programs, and allocate advertising and promotional expenditures to any regions or locales we deem appropriate. The advertising may include promotions in areas where Enviro-Master businesses are not yet established. We may create the advertising in-house or use any outside agency, depending upon the type of media. We are not required to spend any amount from the National Advertising Fund on advertising or promotions in your Territory. We have no obligation to make expenditures from the National Advertising Fund that are equivalent or proportionate to your contributions, ensure that you benefit directly or proportionally or in any amount from the placement of advertising, or ensure that any advertising impacts or penetrates your Territory.

We may use the National Advertising Fund to meet the costs of administering, preparing and conducting national, regional or local advertising, promotional and brand building programs and initiatives or any kind (collectively, "Brand Development Activities"), which includes but is not limited to the cost of (i) preparing and conducting television, radio, magazine, podcasts, newspaper and digital advertising campaigns and other public relations activities (including, but not limited to, for purposes of brand reputation management), (ii) employing public relations firms and advertising agencies to assist in these activities, and (iii) conducting other activities that are directly or indirectly designed to attract national account customers, promote the System, its franchisees, and/or increase System sales, such as limited-time offerings, new product development, sales training programs, including Learn.Practice.Do, costs associated with the inside sales program, recruiting activities, annual and regional convention costs, franchisee incentives, customized materials, guest response programs, manager/employee recognition programs, quality assurance programs, mystery shopper programs, brand website and ordering platforms, brand applications, social media account administration and promotion, and equipment and technologies related to such marketing programs. We may use the National Advertising Fund to compensate us for our reasonable administrative costs and overhead we incur in connection with all Brand Development Activities, and any other activities related to advertising and promotional programs, including new product development; market research; preparing advertising and promotional materials; digital marketing; working with public relations firms, advertising agencies, advertising placement services and creative talent; reimbursing franchisees advisory council meeting expenses; developing and maintaining, and paying third parties for the development and maintenance of internet sites, applications, and other equipment and technology related to marketing programs. We may use the National Advertising Fund to pay for Brand Development Activities in certain limited territories only and not your Territory. We are not obligated to spend the National Advertising Fund on all territories equally, proportionately or at all. The National Advertising Fee is not utilized principally to solicit new franchise sales although we may state or reference in advertising that Franchises are available.

In 2022, we collected \$1,578,355 in the National Advertising Fund. All funds that were collected were expended; funds were expended in the following approximate proportions: National Account Staff and Direct Sales Costs (41.0%); Telemarketing (17.5%); Media Placement (31.5%) Marketing Personnel (12.3%); Dues, Subscriptions (0.8%); Trade Shows (0.6%); Marketing Software (2.3%); and Marketing Reserves (-5.9%).

We are not required to have an independent audit of the National Advertising Fund completed. We will provide you with an annual summary of expenditures of the National Advertising Fund on your reasonable request but are not required to prepare financial statements for the National Advertising Fund. If any contributions to the National Advertising Fund, including any associated earnings, are not spent in the fiscal year in which they accrue, they remain set aside in the National Advertising Fund for use in later years. Any amounts we or our affiliate contribute to the National Advertising Fund will be considered an advance from us or our affiliates to the National Advertising Fund. We and/or our affiliates have the right to be reimbursed from the National Advertising Fund any amounts that we advanced to the National Advertising Fund. We may terminate the National Advertising Fund at any time, but will not do so until all monies collected in the National Advertising Fund have been spent or returned to contributors on a prorated basis.

Local Advertising.

You are required to participate in the Local Digital Marketing campaign disclosed in Item 6 and Item 7. This campaign contribution cannot be applied to your requirement to spend a minimum of 2% of your Gross Revenues on local marketing.

We may also require, as we currently do, that you list your business with local and other electronic media sites on the Internet.

Advertising Cooperatives.

Currently, there is no requirement that you participate in a local or regional advertising cooperative. In the future, we may form cooperatives or require cooperatives to be formed. We have no liability or obligation to you for maintaining any cooperative and each cooperative will be organized and governed in the form and manner that we determine in advance. We may change, dissolve, or merge any cooperative.

Franchise Marketing Committee.

The Franchise Marketing Committee was formed in 2018. The purpose of the committee is to assist the Franchisor in developing, implementing and communicating a comprehensive marketing strategy for the system. All franchisee members will be selected by the Franchisor. The committee currently consists of 4 franchisee members who meet the following qualifications:

1. Operate an Enviro-Master franchise for at least one year;
2. Substantially comply with the Franchise Agreement and Manual;
3. Embrace the Retain, Grow, Gain culture; and
4. Have a passion for sales and marketing.

The members of the committee serve terms on the Franchise Marketing Committee as follows: Initial year – 2 members serve 12 months and 2 members serve 24 months; Year two – the 2 members who served the 12-month term will roll off and 2 new members will join. This process is currently followed year after year.

The committee meets as needed. The committee serves in an advisory capacity only and has no operational or decision-making power, although its input into the strategy and planning process is of great importance to our business plans. We have the power to form, change, or dissolve the committee at any time in our sole discretion.

Internet and Electronic Media.

We currently operate a website related to the System at www.enviro-master.com (the "Website"). We have the right to designate a successor Website. Subject to the terms of the Franchise Agreement and Manual, we may make available to you a sub-page on the Website that will be located at a sub-domain of the Website to be specified by us (the "Subpage"). You will be permitted to upload content onto the Subpage solely to promote, and provide customers information related to, your Franchised Business. You may only upload content onto the Subpage in accordance with terms of the Franchise Agreement and any guidelines, directives or specifications (collectively, "Subpage Standards") issued by us. The Subpage may not contain content which references any other Franchised Business other than your Franchised Business. You may not upload, publish, display, or otherwise include or use any content on the Subpage without receiving our approval. Once we approve the initial content of the Subpage, you must submit any changes to us before you make any changes. We may, at any time, cease to make the Subpage available to you or the public. Upon the termination or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, you may not upload, content, onto, or otherwise use, the Subpage; the Subpage may immediately cease and we may cease to make the Subpage available to you.

No advertising or promotion may be conducted by you over the Internet or through other forms of electronic media, whether within or outside your Territory, without our express prior written consent, which we can withhold for any or no reason. (See Franchise Agreement, Section 15.3.) This includes any use by you or your employees of any form of social media which references the Marks in any way; you are fully responsible for your employees with regard to social media and the Marks. You must comply with any social media policies in the Manual. You must submit to us for approval before use, all social media posts and replies including sites such as Facebook, Linked In, Instagram, Yelp! and other sites. Our right of approval for all such materials is necessitated by the fact that they will include and inextricably be linked with the Marks. You may only use material or postings which we have approved.

You will be required to run a Local Digital Marketing Campaign consisting of pay per click advertising on Google. This campaign is managed by our approved vendor, which is currently 20North Marketing. The cost of the management and ad buy is currently \$1,500/month. We collect this payment from each franchisee and remit one payment monthly to the vendor. This amount is subject to change.

Marketing Materials.

You may use and display promotional and advertising materials provided to you by us, in accordance with our standards and requirements specific in our Manual. You may not use or display any promotional or advertising materials without our prior written consent. All promotional and marketing materials that you propose to use must conform to our standards and requirements as specified in our Manual. You must provide us with all proofs of promotional and marketing materials for our approval before your proposed use of the materials. If you do not receive our

approval within 30 business days, we will be deemed to have disapproved the materials. You cannot use any advertising or promotional plans or materials that we have not approved. (Section 15.2(a)-(c) of the Franchise Agreement.)

Computer Systems.

Hardware. You must have or obtain a personal computer, which meets our standards and specifications, as outlined in the Manual. We estimate the current cost of the personal computer will be approximately \$1,000 to \$2,000, but this estimate may increase or decrease depending on market price.

In addition, you must acquire a hand-held computer device for each Service Hygiene Technician, for use on the job (the "Hand-Held Device"). We will provide you with specifications for the Hand-Held Device in the Manual and/or materials. You may obtain the hardware from any vendor you choose at your expense. We estimate the current cost of the handheld equipment to be approximately \$200 per technician, but this estimate may increase or decrease depending on market price. You may also incur a monthly charge from your local cellular carrier for each Hand-Held Device should you elect to provide cellular access to same. We will have independent access to all information stored on the hand-held device.

We estimate the total annual costs to franchisees for the maintaining and upgrading the required hardware will be \$0 to \$1,000. We may require you to update your hardware. There are no contractual limits on the cost or frequency of this obligation.

Software. We will provide you with specifications for required computer administrative software for your personal computer in the Manual and/or materials (e.g., Office 365, Quickbooks, etc.). You must update your operating software as we direct, and there are no contractual limitations on the frequency of this obligation. You must obtain Internet access at your expense for business communications.

In addition, you must use certain particular approved computer software particularly related to the franchised business (the "Approved Software"). The Approved Software will allow you to schedule service to customers, change route assignments for each employee, access accounts receivable and aging of accounts receivable, and to perform other functions. You may not substitute any other software for these functions. We purchase the Approved Software from a third party vendor and provide it to you. The cost of the Approved Software is covered as part of the Initial Franchise Fee and the cost for any updates or maintenance for the Approved Software is covered by the weekly Admin/Service Fee that you pay us; you incur no additional charge for it. We may supplement, substitute, discontinue or modify the Approved Software and its conditions for use on reasonable notice to you.

Except as described in this Item, we will not guarantee, warranty, maintain or support any computer system. We may require you to agree to maintenance or support contracts.

We presently do not require you to obtain or use any electronic cash register. We reserve the right to require you to purchase new or different hardware or software during the term of the Franchise Agreement, which may result in costs to you that we currently are not able to estimate.

Conferences and Meetings.

We will host an annual conference and regional meetings for you, your operations manager and your sales personnel. Attendance at these conferences is mandatory for you, your operations manager and all sales persons. We currently charge a reasonable conference fee per attendee. In addition, we will charge you \$3,000 for each person who is required to attend a National or Regional Conference and fails to do so. You must pay travel and lodging expenses for you and your personnel.

Electronic Funds Transfer.

You must pay all fees or contributions due under the Franchise Agreement by automated bank draft or other reasonable means necessary to ensure we receive payment of all fees and contributions. You must comply with any of our payment instructions, including executing any forms which grant us the right to debit your account on a weekly basis for payment of royalty, management and advertising fees and contributions and other fees and contributions to be paid to us or required by us under the Franchise Agreement. (See Franchise Agreement, Section 3.3).

Operations Manual.

Exhibit J to this Disclosure Document is a table of contents to our Manual. Our Manual consists of 555 pages. The number of pages devoted to each subject are listed below:

- Section I: Introduction, Understanding Proper Structure, Insurance: 8 pages
- Section II: Sales: 36 pages
- Section III Products: 44 pages
- Section IV: Services: 115 pages
- Section V Operations: 114 pages
- Appendix I: Sales Leadership and Customer Retention Training Guide: 52 pages
- Appendix II: Office Management Guide: 76 pages
- Appendix III: Safety and Health, OSHA: 26 pages
- Appendix IV: The Ultimate ZOHO Guide CRM: 29 pages
- Appendix V: Health and Safety Technician Training Manual: 23 pages
- Appendix VI: Branding Guidelines: 27 pages

The Manual contains mandatory and suggested specifications, standards and operating procedures. The Manual is confidential, remains our property, and must be kept secure. The Manual currently is provided electronically and hard copy at no cost to you.

Training Programs.

We offer an initial franchise training program (“Initial Training Program”). Before you open for business, you (or another person you have delegated to manage the Franchised Business) and your operations manager must complete the Initial Training Program to our satisfaction. We may require any of your other principals or employees who are (or later become) actively involved in the operations and or office management of the Franchised Business to satisfactorily complete Initial Training Program (see Franchise Agreement Section 12.2). If you or any of your employees

do not satisfactorily complete any portion of the Initial Training Program, you may designate a substitute trainee acceptable to us. We have the right in our sole discretion to determine whether a trainee has successfully completed the Initial Training Program. The Initial Training Program is also available as an option to your employees who will perform our services (see Franchise Agreement Section 12.2). You must complete the Initial Training Program within 120 days after signing the Franchise Agreement.

The initial franchise fee includes the costs of the Initial Training Program for up to two individuals. You must pay a reasonable fee (currently \$2,500) if you elect to bring additional trainees. You or your employees must pay all personal expenses to attend the Initial Training Program, including expenses of transportation, lodging, meals, wages and employee benefits.

All training is scheduled after advance written notice to all franchisees. Scheduled training may be canceled by providing written notice fifteen (15) days prior to such scheduled training. All training is subject to space and time availability.

We generally conduct training in Charlotte, North Carolina about once a month. Training is eight days in Charlotte, North Carolina, and five days training in your market. We may adjust the training schedule based on demand. We will give you, upon request, a current training schedule. Currently, the Initial Training Program includes instruction in the following subjects:

TRAINING PROGRAM

Subject	Approximate Hours of Instruction		Location
	Classroom	On-the-Job	
Field Service	1 hr.	8 days 2 days	Charlotte, NC/your Franchised Business
General Management / computer operation	7-9 hrs.	0 days	Charlotte, NC/Online
Financial Management	3 hrs.	N/A	Charlotte, NC/Online
Business Planning	5-7 hrs.	N/A	Charlotte, NC/Online
Field Sales	4 hrs.	11 days	Charlotte, NC/your Franchised Business
Totals	20-24 hrs.	19-21 days	The days and hours may change depending on the number of trainees and their job responsibilities; on-the-job training subjects will substantially overlap each other--in other words, multiple subjects will be covered at the same time.

Our trainers include, Scott George, Tracy Traficante, Dave Goodwin, Mark Pinnell, Robert Skinner and Michael Lane. Mr. George has 13 years of experience in small business operations and 7 years of experience with us. Ms. Traficante has 16 years of experience in operating small businesses in the restroom hygiene industry and 6 years of experience with us. Mr. Goodwin has 29 years of experience in operating restroom hygiene businesses and 10 years of experience with us. Mr. Pinnell has 10 years of experience in operating an Enviro-Master franchise and 11 years of experience with us. Mr. Skinner has 10 years of experience in the route services business and 1 year of experience with us. Mr. Lane has 11 years of experience in outside sales and 6 years of experience with us. Certain of these individuals provide training services as independent contractors to us, not as company employees.

We will provide you with the materials necessary to complete your training, which include the Manual and other business forms. While we train you, your managers and your first sales person, you are solely responsible for the training of the remainder of your staff.

Continuing Training.

We may offer continuing, supplemental, refresher or advanced training. Some of this training may be mandatory, and some may be optional. We may or may not charge you reasonable training fees and/or training material fees for this training (see Item 6). We will notify you of any fees before you or your employees enroll in any continuing training. Continuing training courses generally last from one to four working days each, depending on the subject, and are generally offered about once a year. Currently the fees for these courses are approximately \$325 per day, per person. These courses generally take place in Charlotte, North Carolina, and cover subjects such as product development, marketing techniques and similar business-related topics. You must attend (or cause your Operations Manager or other employees to attend) and satisfactorily complete all mandatory continuing training.

ITEM 12

TERRITORY

Territory Grant.

Attachment A to your Franchise Agreement describes your Territory. We will negotiate and agree upon your specific Territory with you. The Territory in which you are authorized to operate your Franchised Business will be based on a number of factors, including whether you purchase a Standard Franchise or an Individual Operator Franchise, geographic size and population of people and businesses. However, there is no minimum or maximum territory area. In certain densely populated metropolitan areas, a Territory may be considerably smaller, while franchisees operating in more rural areas may have a significantly larger Territory. Once established, the boundaries of your Territory will not be adjusted regardless of whether the population of people and business in your Territory increase or decreases over time. For a Standard Franchise, your Franchised Business will operate from one location within your Territory. For an Individual Operator Franchise, your Franchised Business will operate out of your designated vehicle and your warehouse within your Territory.

Relocation.

We do not permit franchisees to relocate their Territory. For Standard Franchises, you must propose a physical business location to us and obtain our acceptance, which we may provide in our sole discretion. For Individual Operator Franchises, you must propose a warehouse location to us and obtain our acceptance, which we may provide in our sole discretion. You may not relocate your office or warehouse without our consent.

Territory Protection.

We will grant you a protected territory as described below. Since we do reserve some rights (see our reservation of rights below), you will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control. We will not operate or allow others to operate an Enviro-Master business within your territory.

You may not solicit or service accounts outside of your Territory without our prior written permission; under no circumstances may you solicit or service accounts in the territory of another

franchisee. If you receive an unsolicited inquiry from a customer or prospective customer outside your Territory, you must comply with our instructions to refer the customer to us or to the franchisee responsible for servicing the customers in that area. We may grant you permission to service customers outside of your Territory; however, at all times we retain the right to sell franchises for areas other than your Territory, and if we sell a franchise for an area in which you are servicing any customer(s), you must immediately comply with our instructions for transferring the customer account(s) and all records of the account(s) to the new franchisee. In that case, you will have no right to receive compensation from any other franchisee or us for the transfer of any accounts for customers located outside of your territory. We resolve conflicts regarding territory and customers between our franchisees, its affiliates, and the affiliates' franchisees, either informally or by enforcement of the franchise agreements.

Under the Franchise Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. For example, without limitation, we retain the following rights, without providing any rights or compensation to you:

- a. We and/or our affiliates may establish or license franchises and/or company or affiliate-owned businesses offering products or services that are similar or identical to the Approved Products using the System or elements of the System under the Marks or any other marks anywhere outside of your Territory or in non-traditional locations inside or outside your Territory.
- b. We and/or our affiliates may, whether inside or outside of your Territory, produce and/or sell Approved Products or any other products or services, and authorize others to produce and/or sell Approved Products or any other products or services, using the Marks, the System, and any other marks and/or systems we desire through any alternative channel of distribution located anywhere, including to and through (a) supermarkets, convenience stores, club stores, and other retail facilities not dedicated to the sale of the Approved Products and (b) mail order and e-commerce channels.
- c. We and/or our affiliates may advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of your Territory.
- d. We may solicit, and you must service, National or Regional Accounts in your Territory as described below.
- e. We and/or our affiliates may acquire, be acquired by, or merge with another entity with existing businesses or franchises that are similar to or competitive with the Franchised Business anywhere (including inside and outside of your Territory) and (a) convert the other businesses to be Franchised Businesses operating under the Marks and the System (except inside your Territory), (b) permit the other Franchised Businesses to continue to operate under another name anywhere (including inside your Territory), and/or (c) permit the businesses to operate under another name and convert your Franchised Business and other existing Franchised Businesses to such other name. We may open or franchise new Franchised Businesses near your Franchised Business (but outside your Territory) without consulting you, giving you the first right to open them, or paying you any compensation. Other affiliate-owned or Franchised Businesses near your Franchised Business that are already in existence or opened later under Franchise Agreements also may (i) compete directly with you, (ii) provide products and services in close proximity to

your Franchised Business without compensating you, and (iii) possibly adversely affect the operation of your Franchised Business.

To benefit the System, if any of our affiliates, or their franchisees, offer products or services similar to those offered by us, then we and the affiliate, and the affiliate's franchisees, may share and use confidential information about the similar products and services.

National/Regional Accounts.

We may solicit National or Regional accounts in your territory. To promote uniformity and consistency, we may set the prices to be charged for each National or Regional account. If we obtain a National or Regional account with a service location in your Territory, we will refer that business to you. If you fail to accept a National or Regional account in your Territory, and to service it at the prices we determine, we may designate another franchisee to service the account. You must comply with our conditions, standards, procedures, policies and pricing for servicing that account, as provided in the Manual or otherwise.

There are two types of National or Regional Accounts: (i) a "corporate account", which is a company which can make decisions on all locations, and which signs a national or regional agreement with Franchisor or its affiliate allowing Franchisor (or its affiliates and franchisees) to service the corporate account's various locations; and (ii) a "hunting license" which is a company where Enviro-Master has been designated as an approved vendor with the ability of Franchisor (or its affiliates or franchisees) to approach the specific locations of that company with the endorsement of that company's corporate headquarters.

We do not compensate you for soliciting or accepting orders from these National or Regional accounts in your Territory because you will be responsible for filling these orders. You will not expand the scope of work performed for National or Regional accounts beyond that allowed by us.

We further reserve the right to distribute products directly to National or Regional Accounts in your Territory. If we distribute products directly to National or Regional Accounts within your Territory, we will split the profit that we earn on the difference between what you, as a franchisee, would pay for the products and what the National or Regional Account pays for the products. Currently, we split such profit with you on a 50/50 basis. For example, if you would be charged \$10 for a product by us, and we sell the same product to a National or Regional Account for \$12, then we would take \$1 of that profit and would distribute the other \$1 of that profit to you.

Failure to Exceed Minimum Royalties.

Beginning on the first anniversary of your Franchise Agreement, if at any time your franchise becomes subject to minimum royalties, and remains subject to minimum royalties for a period of 12 months, we will have the right to reduce or remove the protection of your Territory described in this Item 12; in addition, this will be a default under the Franchise Agreement and we may terminate the Franchise Agreement.

Failure to Maintain Required Sales Staff/Sales Assistance Program.

Currently, franchisees are required to have at least one sales associate for every 12,500 businesses within your Territory. If at any time during the term of your Franchise Agreement you


fail to meet the minimum threshold of sales associate for the business population within your Territory, we will have the right to reduce or remove the protection of your Territory described in this Item 12; in addition, this will be a default under the Franchise Agreement, and we may terminate the Franchise Agreement.

ITEM 13

TRADEMARKS

Pursuant to the terms of the Franchise Agreement, we grant you the right and license to operate a Franchised Business pursuant to the System and using the Marks and related names and marks that may be developed in the future and used as part of the System. The following is a description of the principal trademarks and service marks that we will license to you.

We have applied to register the following Mark on the Principal Register of the United States Patent and Trademark Office (the "USPTO"). Until the USPTO grants a federal registration for this Mark, this Mark will not have the legal benefits and rights of a federally registered trademark. If our right to use this new Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
	97,127,425 (serial number)	November 16, 2021 (filing date)

All of the Marks listed below are owned by us, have been registered on the Principal Register of the USPTO, and have been renewed at the proper time:

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
ENVIRO-MASTER SERVICES (and Design)	3,826,396	July 27, 2010 (renewed September 26, 2019)

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
WE KILL THE GERMS THAT KILL YOUR BUSINESS!	5,631,347	December 18, 2018
VIRUS VAPORIZER	6,179,516	October 20, 2020

The franchisor has filed all required affidavits. We intend to renew the registrations and file all appropriate affidavits for the Marks at the times required by law.

Other Marks have been, or may be, applied for or registered with the USPTO. The provisions of the Franchise Agreement apply to any and all other trademarks, service marks, and trade dress authorized and licensed for use by us to you during the term of your Franchise Agreement. We may specify the other Marks that you may use, if any, in writing from time to time. You must comply with the proper use and marking of the Marks as we indicate in the Manual or otherwise. We update the Manual periodically, and add or delete Marks on a continuing basis.

We are the owner of all right, title and interest in and to the Marks and the goodwill associated with them. All goodwill associated with the Marks remains our exclusive property. All usage of the trademarks by you and any goodwill established will inure to our exclusive benefit.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, nor is there any pending infringement, opposition or cancelation proceeding. There is no pending material federal or state court litigation regarding our use or ownership rights in the Marks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to a franchisee. We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

Your rights to the Marks are derived solely from your Franchise Agreement. You will only use the Marks as we authorize. You have no right to apply for registration of any Mark. In using the Marks, you must strictly follow our standards, specifications, requirements, and instructions. You may not use any trademark or any words or designations similar to the Marks (i) as part of any corporate or legal business name, (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, electronic address, metatag, search engine keyword, social media account, or otherwise in connection with any website or other electronic medium without our consent, or (v) in any other manner we have not expressly authorized in writing. When your Franchise Agreement expires or terminates, all rights to use the Marks will revert to us automatically without payment to you and you will keep no rights in the Marks. You may not take any action to question or contests our rights or interest in the Marks and the goodwill in the Marks.

If litigation involving the Marks is initiated or threatened against you, you must notify us promptly and cooperate fully with us in defending or settling the litigation. We will decide whether to defend or settle any trademark litigation brought against you based upon our good faith

assessment, exercised in our discretion, of your compliance with the Franchise Agreement and the Manual. If you are in compliance, we will indemnify you and hold you harmless from all claims, liabilities, costs, damages and reasonable expenses for which you are held liable arising out of your use of the Marks (including settlement amounts negotiated by us or with our expressed consent). If we decide to take either action, we will do so at our expense. We will have no obligation to defend or indemnify you if the claim against you relates to your use of the Marks in violation of the Franchise Agreement.

We may require you to modify or discontinue the use of any of the Marks, and to substitute different marks. If we exercise this right, you must make such changes at your sole cost and expenses with 180 days of our notice of the change.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own no rights in or licenses to, any patents or copyrights that are material to the franchise, nor do we have any pending patent applications that are material to the franchise.

Proprietary Information.

We will loan you a copy of our Manual after you purchase a franchise and before you begin your Initial Training Program. You must operate the Franchised Business strictly according to the current Manual, which we may amend periodically. You must at all times treat the Manual and the information in it as confidential. To protect the confidentiality of the Manual, you must sign a confidentiality agreement (**Exhibit B**) before you view the Manual. If you do not sign a confidentiality agreement, you may not view the Manual and you may not purchase a franchise.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We strongly believe that the success of the Franchised Business will depend to a large extent on your personal and continued efforts, supervision and attention. We require that you personally supervise the Franchised Business, and be involved in the day to day operation. Except as we expressly permit in writing, you (or your managing shareholder or partner) must devote full time, energy, and best efforts to the management of the Franchised Business, and must complete our Initial Training Program. While you may hire additional managers, we expect and anticipate that you will be personally involved in the overall management and operation of the business.

Prior to allowing you to view our Manual, receive training or purchase the franchise, we will require that you, and each person who has ownership share in you or in the Franchised Business or receives training, deliver a confidentiality agreement. The agreement must be in a form satisfactory to us, and must provide that we are a third party beneficiary of, and have the independent right to enforce, the covenants (see **Exhibit B** for a sample covenant that is acceptable to us).

There is a covenant of non-competition in the Franchise Agreement. In addition, we may require that any person who has an ownership share in the Franchised Business, or who receives training under the System deliver a non-competition agreement in a form acceptable to us, prohibiting such person from having an ownership or management relationship with any existing, or yet to be established, business competitor(s).

If you are a Legal Entity, we may require each person who owns greater than a 10% ownership share in you or in the Franchised Business to sign a personal guaranty.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Limitations on Goods or Services.

You must offer and sell only those products and services that we authorize. You must offer and sell all products and services that we designate as required for franchisees. We maintain written lists of the products and services that are authorized in the Manual. You may not offer or sell any unauthorized product or service without our express prior written consent. You must discontinue offering or selling any product or service (whether or not we previously authorized it) promptly on notice from us. We may add to or modify authorized products or services as long as we provide you with prior notice. There are no other limits on our right to change the types of products and services you offer and sell.

Limitations on Customers.

There are no limitations on the customers to whom you may offer services, other than territorial (see Item 12).

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2.1	5 years starting on the date of signing of franchise agreement.
b. Renewal or extension of the term	2.2	10 years.

Provision	Section in Franchise Agreement	Summary
c. Requirements for you to renew or extend	2.3	180 to 240 days' notice; past and current compliance; updated location(s) and training; payments timely; general release (release may not apply under certain state laws); renewal fee; sign then-current franchise agreement which may contain materially different terms and conditions from the original contract; terms that will remain substantially the same are listed in section 2.3(g).
d. Termination by you	N/A	No provision in franchise agreement.
e. Termination by us without cause	N/A	Enviro-Master cannot terminate your franchise without cause.
f. Termination by us with cause	17.1	Enviro-Master can terminate your franchise only if you default.
g. "Cause" defined – curable defaults	16.3	<u>30 days to cure:</u> you fail to perform or observe any covenant, duty or obligation in the Franchise Agreement; you fail to obtain Enviro-Master's approval when required; you fail to offer all services and products in accordance with our Standards; you interfere with our contractual or business relationships; you fail to operate the Franchised Business in accordance with our Standards; you fail to ensure all requires persons sign the Confidentiality Agreement or provide us a copy of the same; you fail to timely submit reports or other requested documents; you fail to pay, when due, any fee or other amount owed to Enviro-Master or its affiliates; you engage in any activity exclusively reserved to us; you fail to maintain required insurance or provide certificates of insurance to us; you conduct a business or engage in marketing products or services similar to those offered by your Franchised Business; you make unauthorized alterations to any invoice produced by our systems; we receive a written complaint from any Regional or National Account customer that intends to terminate service because of your poor service; you fail to service any required Regional or National Account; you fail to

Provision	Section in Franchise Agreement	Summary
		pay the fee for remedial training after you; you fail to establish or maintain the Minimum Sales Associate Requirement (as defined in the Franchise Agreement); or your employees miss any regional or national training.
h. "Cause" defined – non-curable defaults	16.2	<u>Without notice:</u> you make a material misrepresentation or omission in your application for the Franchised Business or otherwise to us; you violated a non-compete agreement by entering into the Franchise Agreement; you are convicted of or plead no contest to a felony or other crime; you engage in any action, behavior or conduct that is likely to affect our reputation; you misuse the Marks; you disclose our Confidential Information; you fail to open for business within the required timeline; you abandon or fail to operate the Franchised Business for 5 or more consecutive days; you relocate the Franchised Business without our consent; your landlord evicts you or notifies us that it is re-taking possession of the business location; you transfer the Franchised Business or your ownership interests without our consent; the Franchised Business is not maintained under the primary supervision of the approved General Manager during the 180 day period following death or incapacity; you impair or revoke our right to effect electronic funds transfer; you maintain false books or records or submit materially false statement or reports to us; you become insolvent, make an assignment for the benefit of creditors, make an admission of inability to pay obligations when due, file a bankruptcy petition, file a pleading seeking reorganization or dissolution, fail to contest any bankruptcy petition (or similar action) filed against you, or are adjudicated bankrupt or insolvent; receiver is appointed for your assets, or similar action is taken; you commit an act or omission that results in an immediate threat or danger to the health or safety of any person; you fail to comply with laws

Provision	Section in Franchise Agreement	Summary
		within 24 hours after being given notice of non-compliance; you fail to satisfactorily complete training; you are subject to minimum annual royalties for 12 or more consecutive months; you breach the Franchise Agreement 3 or more times in a 12 month period or the same obligation 2 or more times in any 6 month period; you default beyond applicable cure under any agreement with us or our affiliates; or you default beyond cure under any agreement related to the Franchised Business.
i. Your obligations on termination/non-renewal	18	Cease operating; cease use of trademarks; cancel registrations and licenses; return to us the Manual, proprietary business materials, products purchased from us or our designated suppliers, and products bearing our trademarks, including but not limited to such products that are in the facilities of your former customers such as dispensers, urinal screens, and cleaning fluids; in lieu of returning products purchased from us you may provide us with documentation evidencing that you sold such products to another Enviro-Master franchisee; resolve customer account list issues; pay sums owed; de-identify vans and location(s) and, at Enviro-Master's option; assign telephone number; cooperate with Enviro-Master in the return of all customers to Enviro-Master.
j. Assignment of contract by us	11.9	Enviro-Master may assign the franchise agreement.
k. "Transfer" by you - definition	11.1	Any transfer, sale, assignment, gift or encumbrance of any direct or indirect interest in the Franchise Agreement, the franchise or you, or of all or substantially all assets of the Franchised Business.
l. Our approval of transfer by you	11.1 - 11.4 & 11.8	Your transfer without Enviro-Master's consent is void and an incurable default; Enviro-Master will not unreasonably withhold its consent to a transfer.

Provision	Section in Franchise Agreement	Summary
m. Conditions for our approval of transfer	11.3 & 11.4	Qualified purchaser; you are in compliance; your payments are current; you and buyer agree to certain continuing obligations; you sign a general release; terms of sale are acceptable; update your van(s); allow on-site inspection at Enviro-Master's option; buyer satisfactorily completes training; Franchise Agreement Transfer Fee or Resale Fee paid, as applicable; buyer assumes franchise agreement.
n. Our right of first refusal to acquire your business	11.7	You must notify Enviro-Master when you have an offer, and Enviro-Master has 30 days to exercise its option to purchase the franchised business on the same terms.
o. Our option to purchase your business	19	Enviro-Master may purchase any or all of the assets of the Franchised Business on termination, expiration or non-renewal of the Franchised Business.
p. Your death or disability	11.6	Twelve months to transfer; Franchise Agreement Transfer Fee waived for qualified heirs.
q. Non-competition covenants during the term of the franchise	20.2	You may not divert business or customers, or solicit employees of Enviro-Master or other franchisees; or engage in or have an interest in a similar business.
r. Non-competition covenants after the franchise is terminated or expires	20.3	You may not engage in or have an interest in a similar business in your territory or in the territory of other Enviro-Master businesses, or within 25 miles of the outer boundary of your territory or of the territory of other Enviro-Master businesses, for three years after termination or expiration of the franchise.
s. Modification of the agreement	21.4(d)	All changes must be in writing, signed by both parties.
t. Integration/merger clause	21.4	Only the terms of franchise agreement, including its attachments, are binding (subject to state law). Any representations or promises outside of this

Provision	Section in Franchise Agreement	Summary
		disclosure document and the franchise agreement may not be enforceable.
u. Dispute resolution	22.7	First mediation; then arbitration or litigation.
v. Choice of forum	22.7	Charlotte, North Carolina (subject to applicable state law).
w. Choice of law	22.1	North Carolina law (subject to applicable state law).
x. Waiver of jury trial	22.8	You waive jury trial.
y. Limitation on remedies	22.9	Right to settle by repurchase; waiver of punitive and tort damages.

Note: Certain states have laws that may supersede the Franchise Agreement and related agreements in your relationship with us, including the areas of termination and renewal of your franchise. Some states may have court decisions that may override the Franchise Agreement and related agreements in your relationship with us, including the areas of termination and renewal of your franchise.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information and if the information is included in the disclosure documents. 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.

Background.

The following table discloses the Gross Revenue for the calendar year 2022 of Standard Franchises who have been open and reporting revenue for the entire calendar years of 2021 and 2022. The table excludes Individual Operator Franchises. In the calendar year 2022, there were 90 Standard Franchises in the Enviro-Master network. Of those, 69 had been open and reporting

revenue for the entire calendar years of 2021 and 2022. All Standard Franchises in the following table operate in one Territory.

The Gross Revenue numbers are taken from the QuickBooks profit and loss statements for each Franchised Business and have not been audited.

Gross Revenue (2022)

	<u>Territory</u>	<u>Gross Revenue 2022</u>
<u>1</u>	<u>Charlotte</u>	<u>\$4,069,625.02</u>
<u>2</u>	<u>Houston</u>	<u>\$3,056,540.64</u>
<u>3</u>	<u>Raleigh</u>	<u>\$2,576,962.80</u>
<u>4</u>	<u>Salt Lake City</u>	<u>\$2,562,481.80</u>
<u>5</u>	<u>Saint Louis</u>	<u>\$2,461,551.12</u>
<u>6</u>	<u>Orlando</u>	<u>\$2,201,877.68</u>
<u>7</u>	<u>San Antonio</u>	<u>\$2,163,149.04</u>
<u>8</u>	<u>Sacramento</u>	<u>\$1,758,226.53</u>
<u>9</u>	<u>Orange County</u>	<u>\$1,755,234.29</u>
<u>10</u>	<u>Austin</u>	<u>\$1,700,827.25</u>
<u>11</u>	<u>Jacksonville</u>	<u>\$1,665,237.72</u>
<u>12</u>	<u>San Jose</u>	<u>\$1,659,451.98</u>
<u>13</u>	<u>LA South</u>	<u>\$1,645,950.27</u>
<u>14</u>	<u>Atlanta West</u>	<u>\$1,630,394.73</u>
<u>15</u>	<u>Savannah / Charleston</u>	<u>\$1,577,139.60</u>
<u>16</u>	<u>Ventura</u>	<u>\$1,517,209.69</u>
<u>17</u>	<u>D.C.</u>	<u>\$1,437,867.09</u>
<u>18</u>	<u>Greenville</u>	<u>\$1,421,959.51</u>
<u>19</u>	<u>Grand Rapids</u>	<u>\$1,305,764.41</u>
<u>20</u>	<u>Denver North</u>	<u>\$1,304,407.74</u>
<u>21</u>	<u>Columbia</u>	<u>\$1,287,522.44</u>

	<u>Territory</u>	<u>Gross Revenue 2022</u>
<u>22</u>	<u>Tampa</u>	<u>\$1,274,057.74</u>
<u>23</u>	<u>Portland</u>	<u>\$1,267,102.11</u>
<u>24</u>	<u>Denver South</u>	<u>\$1,264,033.39</u>
<u>25</u>	<u>Greensboro</u>	<u>\$1,244,564.61</u>
<u>26</u>	<u>LA North</u>	<u>\$1,242,533.67</u>
<u>27</u>	<u>North Texas</u>	<u>\$1,206,352.57</u>
<u>28</u>	<u>Baltimore</u>	<u>\$1,197,217.12</u>
<u>29</u>	<u>Fort Lauderdale</u>	<u>\$1,178,302.39</u>
<u>30</u>	<u>Metro Detroit South</u>	<u>\$1,150,016.89</u>
<u>31</u>	<u>Indianapolis</u>	<u>\$1,109,206.99</u>
<u>32</u>	<u>Miami</u>	<u>\$1,101,721.34</u>
<u>33</u>	<u>Omaha</u>	<u>\$1,083,079.58</u>
<u>34</u>	<u>Phoenix East</u>	<u>\$1,074,818.28</u>
<u>35</u>	<u>Cincinnati</u>	<u>\$1,044,729.56</u>
<u>36</u>	<u>Chattanooga</u>	<u>\$1,023,900.04</u>
<u>37</u>	<u>San Bernardino</u>	<u>\$1,019,757.93</u>
<u>38</u>	<u>Kansas City</u>	<u>\$1,011,630.62</u>
<u>39</u>	<u>Columbus</u>	<u>\$998,404.39</u>
<u>40</u>	<u>Atlanta SE</u>	<u>\$995,385.92</u>
<u>41</u>	<u>Memphis</u>	<u>\$979,499.68</u>
<u>42</u>	<u>Atlanta East</u>	<u>\$947,033.68</u>
<u>43</u>	<u>Tulsa</u>	<u>\$891,202.98</u>
<u>44</u>	<u>Mobile</u>	<u>\$861,758.47</u>
<u>45</u>	<u>Boston North</u>	<u>\$829,588.18</u>
<u>46</u>	<u>Las Vegas</u>	<u>\$825,036.55</u>

	<u>Territory</u>	<u>Gross Revenue 2022</u>
<u>47</u>	<u>Nashville</u>	<u>\$798,866.25</u>
<u>48</u>	<u>San Diego</u>	<u>\$790,868.87</u>
<u>49</u>	<u>Northern Michigan</u>	<u>\$788,314.36</u>
<u>50</u>	<u>Reno / Lake Tahoe</u>	<u>\$743,269.48</u>
<u>51</u>	<u>Phoenix West</u>	<u>\$715,542.32</u>
<u>52</u>	<u>New Jersey Central</u>	<u>\$709,532.59</u>
<u>53</u>	<u>Detroit</u>	<u>\$705,520.60</u>
<u>54</u>	<u>Rockland / Westchester</u>	<u>\$680,853.58</u>
<u>55</u>	<u>Providence</u>	<u>\$674,189.01</u>
<u>56</u>	<u>Milwaukee</u>	<u>\$647,936.61</u>
<u>57</u>	<u>New Jersey North</u>	<u>\$629,852.55</u>
<u>58</u>	<u>Philadelphia</u>	<u>\$608,737.78</u>
<u>59</u>	<u>Louisville</u>	<u>\$516,244.25</u>
<u>60</u>	<u>El Paso</u>	<u>\$506,830.23</u>
<u>61</u>	<u>Delaware</u>	<u>\$455,391.91</u>
<u>62</u>	<u>Fort Myers</u>	<u>\$429,357.71</u>
<u>63</u>	<u>Sarasota</u>	<u>\$375,879.31</u>
<u>64</u>	<u>Boston South</u>	<u>\$364,482.45</u>
<u>65</u>	<u>Birmingham</u>	<u>\$364,219.12</u>
<u>66</u>	<u>Space Coast</u>	<u>\$358,864.57</u>
<u>67</u>	<u>Central PA</u>	<u>\$351,686.88</u>
<u>68</u>	<u>Central Valley CA</u>	<u>\$323,776.54</u>
<u>69</u>	<u>Albuquerque</u>	<u>\$320,035.31</u>
	<u>Average</u>	<u>\$1,165,805.34</u>
	<u>Median</u>	<u>\$1,044,729.56</u>

The average Gross Revenue per Standard Franchise for 2022 was \$1,165,805.34. Of the 69 Standard Franchises in the table above, 29 Standard Franchises met or exceeded the average Gross Revenue for 2022 and 40 Standard Franchises were below the average Gross Revenue for 2022. The highest number in this range is \$4,069,625.02. The lowest number in this range is \$320,035.31.

The median Gross Revenue per Standard Franchise for 2022 was \$1,044,729.56. Of the 69 Standard Franchises in the table above, 35 Standard Franchises met or exceeded the median Gross Revenue for 2022 and 34 Standard Franchises were below the median Gross Revenue for 2022.

Background.

The following table discloses the Gross Revenue for the calendar year 2022 of Standard Franchises who were open and reporting revenue for the entire calendar years of 2021 and 2022. The table excludes Individual Operator Franchises.

Gross Revenue
for Multiple Territories (2022)

<u>Territory</u>	<u>2022 Gross Revenue</u>
1	Chicago/Chicago North \$2,626,990.49
2	Pittsburgh/Cleveland \$2,382,687.96
2	Dallas West / Denton \$1,609,517.65
4	Minneapolis/St. Paul \$1,328,093.82
	Average \$1,986,822.48
	Median \$1,966,102.80

The average Gross Revenue for these Standard Franchises for 2022 was \$1,986,822.48. Of the 4 Standard Franchises in the table above, 2 Franchised Business met or exceeded the average Gross Revenue for 2022 and 2 Franchised Businesses were below the average Gross Revenue for 2022. The highest number in this range is \$2,626,990.49. The lowest number in this range is \$1,328,093.82.

The median Gross Revenue for these Standard Franchises for 2022 was \$1,996,102.80. Of the 4 Standard Franchises in the table above, 2 Franchised Businesses met or exceeded the median Gross Revenue for 2022 and 2 Franchised Businesses were below the median Gross Revenue for 2022.

Background.

The following table discloses the Gross Revenue for the 2022 calendar year of Standard Franchises who opened in 2021 and have been reporting revenue for the entire calendar year of 2022. The table excludes Individual Operator Franchises. In the calendar year 2022, there were 90 Standard Franchises in the Enviro-Master network. Of those, 5 had opened in 2021 and have been reporting revenue for the entire 2022 calendar year. All Standard Franchises in the following table operate in one Territory.

The Gross Revenue numbers are taken from the QuickBooks profit and loss statements for each Franchised Business and have not been audited.

Gross Revenue (2022)

	<u>Territory</u>	<u>Gross Revenue 2022</u>
1	Seattle	\$625,894.64
2	Albany	\$427,917.37
3	Myrtle Beach	\$345,271.42
4	Madison	\$234,361.85
5	Dakotas	\$55,821.18
	<u>Average</u>	\$337,853.29
	<u>Median</u>	\$345,271.42

The 2022 average Gross Revenue per Standard Franchise that opened in 2021 was \$337,853.29. Of the 5 Standard Franchises in the table above, 3 Standard Franchises met or exceeded the average Gross Revenue for 2022 and 2 Standard Franchises were below the average Gross Revenue for 2022. The highest number in this range is \$625,894.64. The lowest number in this range is \$55,821.18.

The 2022 median Gross Revenue per Standard Franchise that opened in 2021 was \$345,271.42. Of the 5 Standard Franchises in the table above, 3 Standard Franchises met or exceeded the median Gross Revenue for 2022 and 2 Standard Franchises were below the median Gross Revenue for 2022.

Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you'll earn as much.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tod Bierling, 5200 77 Center Drive, Suite 500, Charlotte, NC 28217, (704) 302-1016, the Federal Trade Commission and the appropriate state regulatory agencies.

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

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Information concerning franchised and company-owned units during the past three fiscal years is shown below. States not listed in any table had no franchised and/or company-owned units opened, closed, or operating during the relevant time period.

Table No. 1

System wide Outlet Summary For years 2020-2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	77	80	+3
	2021	80	85	+5
	2022	85	90	+5
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	77	80	+3
	2021	80	85	+5
	2022	85	90	+5

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Years 2020-2022**

State	Year	Number of Transfers
CA	2020	0
	2021	3
	2022	0
CT	2020	1
	2021	0
	2022	0
FL	2020	2
	2021	1
	2022	1
GA	2020	1
	2021	0
	2022	1
IL	2020	0
	2021	0
	2022	0
IN	2020	1
	2021	0
	2022	0
KS	2020	1
	2021	0
	2022	0
MA	2020	1
	2021	0
	2022	0
NJ	2020	1

State	Year	Number of Transfers
	2021	0
	2022	0
NM	2020	0
	2021	0
	2022	0
OR	2020	0
	2021	0
	2022	0
PA	2020	0
	2021	0
	2022	1
RI	2020	1
	2021	0
	2022	0
TX	2020	0
	2021	0
	2022	2
WI	2020	1
	2021	0
	2022	0
Total	2020	10
	2021	4
	2022	5

Table No. 3

Status of Franchised Outlets
For years 2020-2022

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
AL	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
AZ	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
CA	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
CO	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
CT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
DC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

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
	2022	1	0	0	0	0	0	1
DE	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
FL	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	2	0	0	0	0	11
GA	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
IL	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
IN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
KS	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
KY	2020	1	0	0	0	0	0	1

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
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
LA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
MA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MD	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MI	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
MN	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MO	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

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
NE	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NJ	2020	2	1	0	0	0	1	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
NM	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NY	2020	2	0	0	0	0	1	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
NV	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
NC	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	1	4
ND	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1

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
	2022	1	0	0	0	0	0	1
OH	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
OK	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
OR	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
PA	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
RI	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SC	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
TN	2020	3	0	0	0	0	0	3

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
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
TX	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	1	0	0	0	0	8
UT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
VA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
WA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
WI	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Totals	2020	77	5	0	0	0	2	80
	2021	80	5	0	0	0	0	85
	2022	85	7	0	0	0	2	90

Note: These numbers do not include 8 franchised outlets operating in Canada as of December 31, 2022.

Table No. 4
Status of Company-Owned Outlets
For years 2020-2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
All states	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Table No. 5
Projected Openings As Of December 31, 2022
(Please review this table in conjunction with the notes that follow.)

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
FL	1	1	0
CA	1	1	0
KS	1	1	0
Total	3	3	0

Exhibit C contains the names, addresses and telephone numbers of all Enviro-Master franchisees that were open as of December 31, 2022 and **Exhibit D** contains the same for the one franchisee who left the system during that time. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No other franchisees have ceased to do business under the franchise agreement, or had an outlet terminated, canceled or not renewed during the last fiscal year, or have not communicated with the franchisor within the last ten weeks.

One franchisee has signed a confidentiality agreement within the last three years, as a result of a settlement of a dispute. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Enviro-Master. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

ITEM 21

FINANCIAL STATEMENTS

Exhibit E contains (i) the audited, consolidated fiscal year end financial statements of our indirect parent, Enviro-Master Holdings, LLC for the successor period from March 29, 2022 through January 1, 2023, and for the predecessor period from January 3, 2022 through March 28, 2022 and (ii) our audited, consolidated fiscal year end financial statements for the periods ending December 31, 2021 and December 31, 2020. Our indirect parent, Enviro-Master Holdings, LLC has guaranteed our performance with you. A copy of the Guaranty of Performance is included in Exhibit E.

Our fiscal year runs on a 364-day cycle, and is adjusted once every five years. For the year ended December 31, 2022, our fiscal year ran from January 3, 2022 to January 1, 2023.

ITEM 22

CONTRACTS

Attached are copies of the following agreements relating to the offer of the franchise:

Exhibit B	Confidentiality Agreement
Exhibit F	Franchise Agreement
Attachment A	Territory and Location(s)
Attachment C	Electronic Funds Withdrawal Authorization
Attachment D	Personal Guaranty
Attachment E	General Release
Attachment F	Employee Confidentiality and Non-Competition Agreement

ITEM 23

RECEIPTS

The last four pages of this Franchise Disclosure Document contain two detachable documents, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to:

**Enviro-Master International Franchise, LLC
5200 77 Center Drive, Suite 500
Charlotte, North Carolina 28217
1-704-302-1016**

**EXHIBIT A
ENVIRO-MASTER**

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
California	<p>Commissioner of Department of Financial Protection & Innovation (866) 275-2677</p> <p><i>Los Angeles</i> 320 West 4th Street Suite 750 Los Angeles, CA 90013-2344 (213) 897-2085</p> <p><i>Los Angeles</i> 300 S. Spring Street Suite 15513 Los Angeles, CA 90013-1259 (213) 897-2085</p> <p><i>Sacramento</i> 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205</p> <p><i>San Diego</i> 1455 Frazee Road Suite 315 San Diego, CA 92108 (619) 610-2093</p> <p><i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565</p>	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street Room 205 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Indiana Securities Division Secretary of State Franchise Section Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General – Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48909 (517) 373-7117	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Minnesota	Minnesota Department of Commerce Securities Unit 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600 (800) 657-3602	Minnesota Department of Commerce Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600 (800) 657-3602
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, New York 10005 (212) 416-8222	Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 12231 (518)-473-2492
North Dakota	North Dakota Securities Department 600 East Boulevard, Suite 414 Bismarck, ND 58505 (701) 328-2910	Securities Commissioner North Dakota Securities Department 600 East Boulevard, Suite 414 Bismarck, ND 58505 (701) 328-4712
Oregon	Oregon Division of Financial Regulation 350 Winter Street NE, Suite 410 Salem, Oregon 97301 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9500	
South Dakota	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Virginia	State Corporation Commission Division of Securities and Retail Franchising Tyler Building 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8700	Department of Financial Institutions 150 Israel Road, SW Tumwater, WA 98501 1 (877) 746-4334
Wisconsin	Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-0448	Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT B
CONFIDENTIALITY AGREEMENT

ENVIRO-MASTER: Enviro-Master International Franchise, LLC

FRANCHISEE: _____

DATE: _____

Enviro-Master International Franchise, LLC, (“Enviro-Master”) has developed and possesses valuable confidential information concerning a program of providing restroom hygiene, drain line management, paper, and chemical products and services (the “Program”).

Franchisee desires to become a franchisee of Enviro-Master, and if Franchisee does so, Franchisee will learn confidential information concerning the Program. The disclosure or unauthorized use by Franchisee of Enviro-Master’s confidential information would result in significant damage to Enviro-Master. Therefore, the parties desire to enter into an agreement protecting such confidential information.

AGREEMENT:

In consideration of the above and the mutual covenants and promises of the parties hereto, Enviro-Master and Franchisee agree as follows:

1. **Confidential Information Defined.** “Confidential Information” means any and all of the following used or developed by Enviro-Master: technical information; methods of operation; equipment; specifications; pricing; customers and potential customers; manuals; software, brochures; financial information; business plans; franchise information, and all information contained in such documents; identification of franchisees and employees; trade secrets; and any other information that Enviro-Master would reasonably be expected to deem confidential. Information that is otherwise “Confidential Information” shall not lose its confidentiality merely because it may be available from other sources, particularly if such information is not common knowledge or if the compilation of such information required an expenditure of time or money. “Confidential Information” does not include information known to Franchisee prior to the date hereof, or which (i) is separately obtained from a public source; (ii) is disclosed to Franchisee by a third party who is not an employee or agent of Enviro-Master; or (iii) is released with the prior written consent Enviro-Master.

2. **Confidentiality.** The parties agree that Franchisee and its employees, agents and other persons to whom Franchisee discloses the Confidential Information will not, without Enviro-Master’s written permission, disclose or otherwise make available any of the Confidential Information to any Person (defined below) who is not an employee under Franchisee’s control. Franchisee will have any person who will have access to any Confidential Information execute agreements (in a form enforceable by Enviro-Master) to adhere to the same obligations binding on Franchisee under this Agreement. For purposes of this Agreement, “Person” shall include any natural person, and any corporation, partnership, trust, or other organization or entity.

3. **Prohibition on Use.** Franchisee agrees that it will never, without the written consent of Enviro-Master, use any of the Program or any of Enviro-Master’s Confidential Information. Specifically, and without limiting the foregoing, Franchisee agrees that it will not implement a program similar to or based on the Program or identifiable components of the Program without Enviro-Master’s written consent.

B-1

4. **Burden of Proof.** In any dispute arising under this Agreement, Enviro-Master shall have the burden of proving Franchisee's access to Confidential Information and the possibility of Confidential Information having been used or disclosed in violation of this Agreement. Once Enviro-Master meets its burden, the burden of proof shall be upon Franchisee to show that no such disclosure or use has been made in violation of this Agreement.
5. **Documents.** Except with the express permission of Enviro-Master, Franchisee shall not copy or permit any person to copy any documents (including papers, electronic or magnetic media, audio or visual recordings, or any other means on which Confidential Information is stored or recorded) provided to it by Enviro-Master. Within three (3) business days of written or oral request by Enviro-Master, Franchisee shall return all Documents and copies of Documents.
6. **Remedies.** If the terms of this Agreement are broken, a remedy at law would be inadequate and the aggrieved party would be entitled to injunctive relief. The provisions of this paragraph shall be in addition to and not exclusive of any remedy otherwise available to Enviro-Master in law or equity.
7. **Intellectual Property Rights.** Franchisee acknowledges Enviro-Master's rights in the Program and the Confidential Information, and expressly denies that Franchisee has any rights therein.
8. **General Provisions.** No failure of a party to act upon any breach shall impair the right of such party to act upon such breach or default (or any subsequent breach or default). If any portion of this Agreement is held to be unenforceable or invalid, the validity and enforceability of the remaining portions will not be affected thereby. This Agreement is governed by the laws of the State of North Carolina. Any proceeding relating to this Agreement shall be maintained in a court of competent jurisdiction in Mecklenburg County, North Carolina, and parties consent to jurisdiction and venue therein. This Agreement shall bind the parties and their successors and permitted assigns, and may not be assigned without the written consent of both parties. The terms of Sections 1 through 7 shall survive the termination of this Agreement. This Agreement replaces and merges all prior understandings and agreements between the parties relating to its subject matter. This Agreement may not be modified except by a written instrument executed by both parties.

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

Enviro-Master:

Enviro-Master International Franchise, LLC

By: _____

Title: _____

Franchisee:

By: _____

Title: _____

EXHIBIT C

CURRENT ENVIRO-MASTER FRANCHISEES

AS OF 12/31/2022

ALABAMA

Enviro-Master of Birmingham

2700 7th Avenue South
Birmingham, AL 35233
Gaston Capital Holdings
Chris Downer
864-968-5188
cdowner@emgch.com

Enviro-Master of Mobile

26088 Capital Drive
Unit 8
Daphne, AL 36526
Ron Finch
619-916-6234
rfinch@emofmobile.com

ARIZONA

Enviro-Master of Phoenix East

638 WQ Broadway Road
Suite 311
Mesa, Arizona
Scott Sheldon
480-264-2225
Ssheldonc10@gmail.com

Enviro-Master of Phoenix West

15847 W. Glenrosa Avenue
Goodyear, AZ 85359
Thomas Bushong
602-820-0635
tbushong@emofphoenixwest.com

CALIFORNIA

Enviro-Master of Central Valley

9423 Plum Avenue
Stockton, CA 95212
Danny Swanson
209-639-6570
dannyswanson@comcast.net

Enviro-Master of Los Angeles North

7054 Gerald Avenue, Suite A
Van Nuys, CA
John Raber
310-351-8628
jraber@enviro-masterla.com

Enviro-Master of Los Angeles South

24416 Main Street
Unit 303
Carson, CA 90745
David & John Devereux
916-895-4110
david@enviromasterla.com

Enviro-Master of Oakland/San Jose

3851 Charter Park Drive, Suite K
San Jose, CA 95316
David Chang
678-756-5577
david@emsfbayarea.com

Enviro-Master of Orange County

2110 S. Lyon Street, Suite F
Santa Ana, CA 92705
Kemp Camera
714-486-3438
kcamera16@yahoo.com

Enviro-Master of San Bernardino

3931 Carter Street
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Riverside, CA 92501
John Roddy
909-793-3680
jroddy@gmail.com

Enviro-Master of Sacramento

2655 Del Monte Street
Sacramento, CA 95691
Harminder Sehmi
650-889-8098
hsehmi@emsacramento.com

Enviro-Master of San Diego

7888 Silverton Avenue, Suite F,
San Diego, CA 92126
Melissa Lippert, Paul Radzwillowicz,
Brandt and Heather Rheinick
619-488-1898
adam@emsandiego.com

Enviro-Master of Ventura

2889 Bunsen Avenue, Unit C,
Ventura, CA 93003
Ronnie Vargas
805-635-8085
enviromasterronnie@gmail.com

COLORADO

Enviro-Master of Denver North

9421 Gunbarrel Ridge
Boulder, CO 80301
Brad and Lyndee Davis
949-307-3626
bdavis@emofdenvernorth.com
ldavis@emofdenvernorth.com

Enviro-Master of Denver South

7344 S. Alton Way, Unit 8F
Centennial, CO 80112
Jim Malcom
303-895-6422
JimMalcolm@emofdenversouth.com

DC

Enviro-Master of DC Metro

607 Lofstrand Lane
Rockville, MD 20850
Neil Middleton
240-428-1027
neil@emofdcmetro.com

DELAWARE

Enviro-Master of Delaware

25 Maggies Way, Suite 3
Dover, DE 19901
Michael and John Kelly
302-270-8618 – Michael's Cell
mkelly@emofdelaware.com
jkelly@emofdelaware.com

FLORIDA

Enviro-Master of Gainesville

6950 Philips Highway, Suite 22
Jacksonville, FL 32216
Rich Sweat
904-434-9223
rich@enviromasterservices.com

Enviro-Master of Jacksonville

6950 Philips Highway, Suite 22
Jacksonville, FL 32216
Danny & Gail Bridges
904-683-6399
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**Franchisees who Purchased in 2021 or 2022 but
Were Not Operational by December 31, 2022**

Franchisee's Name	Address	City	State	Zip Code	Phone	Market(s)
Erik Rhein	525 Sterling Drive	Richardson	TX	75081	214-505-3448	Dallas West and Denton, TX
Andy Titus	4624 Farmstead Ct.	Bel Aire	KS	67220	316-258-5669	Wichita, KS
Andrew Martin	100 Candace Drive, Unit 112	Maitland	FL	32751	727-410-6146	Space Coast, FL
David Chang	3851 Charter Park Drive, Unit R	San Jose	CA	95136	678-756-5577	San Francisco, CA

EXHIBIT D

FORMER ENVIRO-MASTER FRANCHISEES

STORES TRANSFERRED DURING FISCAL YEAR 2022

Former Franchisee Name	Address	City	State	Zip Code	Phone
Dale and Wade Mullis Denton	1529 Central Park Drive	Hurst	TX	76053	214-551-2338
Dale and Wade Mullis Dallas West	1529 Central Park Drive	Hurst	TX	76053	214-551-2338
Al Concemi	2650 Pleasantdale Road, Unit 11	Doraville	GA	30340	770-366-1004
Marcus Williams	10067 Sandmeyer Lane, Unit 414	Philadelphia	PA	19116	315-558-2096

EXHIBIT E
FINANCIAL STATEMENTS

[See attached]

GUARANTEE OF PERFORMANCE

For value received, Enviro-Master Holdings, LLC, a Delaware limited liability company (the “**Guarantor**”), located at 3060 Peachtree Road, NW, Suite 360, Atlanta, GA 30305, absolutely and unconditionally guarantees to assume the duties and obligations of Enviro-Master International Franchise, LLC, a North Carolina limited liability company, located at 5200 77 Center Drive, Suite 500, Charlotte, NC 28217 (the “**Franchisor**”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Atlanta, GA, _____ on the 31st day of March, 2023.

Guarantor:

Enviro-Master Holdings, LLC

By: _____

Name: Zack Taylor

Title: Vice President

Enviro-Master Holdings, LLC and Subsidiaries

Independent Auditor's Report and Consolidated Financial Statements

**As of January 1, 2023, for the
Successor Period from March
29, 2022 through January 1,
2023, and for the Predecessor
Period from January 3, 2022
through March 28, 2022**



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Independent Auditor's Report

Board of Managers and Members
Enviro-Master Holdings, LLC and Subsidiaries
Charlotte, North Carolina

We have audited the accompanying consolidated financial statements of Enviro-Master Holding, LLC and Subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of January 1, 2023, and the related consolidated statements of operations, changes in members' equity, and cash flows for the Successor Period from March 29, 2022 to January 1, 2023, and the Predecessor Period from January 3, 2022 to March 28, 2022, and the related notes to the consolidated financial statements.

In our opinion, except for the effects of not reporting the value of identifiable intangible assets separately from goodwill, and the resulting effect on amortization expense, as discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Enviro-Master Holdings, LLC and Subsidiaries as of January 1, 2023, and the results of their operations and their cash flows for the Successor Period from March 29, 2022 to January 1, 2023, and the Predecessor Period from January 3, 2022 to March 28, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 1 to the consolidated financial statements, the Company has not identified and analyzed the value of intangible assets separately from goodwill. Accounting principles generally accepted in the United States of America require that assets acquired in a business combination be recorded at fair value, and that separately identifiable intangible assets be recognized separate from goodwill, which would result in an increase to intangible assets and decrease to goodwill and goodwill amortization expense. The effects on the consolidated financial statements have not been determined.

Responsibilities of Management for the Consolidated Financial Statements

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

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

FORVIS

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

FORVIS,LLP

**Birmingham, AL
March 27, 2023**

Enviro-Master Holdings, LLC and Subsidiaries
Consolidated Balance Sheet
January 1, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,501,370
Restricted cash	107,519
Accounts receivable, net	333,400
Notes receivable	7,789
Inventories	43,400
Prepaid expenses	460,775

Total current assets 3,454,253

Property and equipment, net	386,557
Goodwill, net	82,654,774
Right-of-use asset - operating lease, net	88,597
Other assets	20,180

Total assets \$ 86,604,361

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:

Accounts payable - trade	\$ 1,099,369
Accounts payable - franchisees	916,892
Deferred revenue	250,770
Accrued expenses and other current liabilities	827,452
Current portion of lease liability - operating lease	99,584
Current portion of lease liability - finance lease	7,493
Current portion of long-term debt	400,000

Total current liabilities 3,601,560

Finance lease liability, net of current portion	22,428
Long-term debt, net of current portion and debt issuance costs	38,553,078

Total liabilities 42,177,066

Members' equity 44,427,295

Total liabilities and members' equity \$ 86,604,361

Enviro-Master Holdings, LLC and Subsidiaries
Consolidated Statements of Operations
Periods Ending January 1, 2023 and March 28, 2022

	Successor	Predecessor
	March 29, 2022	January 3, 2022
	Through	Through
	January 1, 2023	March 28, 2022
Revenue:		
Franchise sales	\$ 611,895	\$ 79,500
Royalties and franchise fees	9,940,378	3,089,480
Product sales, net	8,275,399	2,719,153
	<hr/>	<hr/>
Total revenue	18,827,672	5,888,133
	<hr/>	<hr/>
Cost of revenue:		
Products	7,658,104	2,168,468
Labor	1,824,356	699,196
Broker commissions on franchise sales	157,000	27,000
	<hr/>	<hr/>
Total cost of revenue	9,639,460	2,894,664
	<hr/>	<hr/>
Gross profit	9,188,212	2,993,469
	<hr/>	<hr/>
Operating expenses:		
Selling, general and administrative	4,074,381	1,281,098
Salaries and wages	2,914,914	833,004
Depreciation and amortization	6,941,747	55,152
	<hr/>	<hr/>
Total operating expenses	13,931,042	2,169,254
	<hr/>	<hr/>
(Loss) income from operations	(4,742,830)	824,215
	<hr/>	<hr/>
Other (expense) income:		
Interest expense	(2,852,819)	(3,188)
Other (expense) income	(1,023)	4,827
Transaction expenses	(2,286,440)	(2,590,840)
	<hr/>	<hr/>
Total other expense	(5,140,282)	(2,589,201)
	<hr/>	<hr/>
Net loss	<u>\$ (9,883,112)</u>	<u>\$ (1,764,986)</u>

See accompanying notes.

Enviro-Master Holdings, LLC and Subsidiaries
Consolidated Statements of Changes in Members' Equity (Deficit)
Periods Ending January 1, 2023 and March 28, 2022

PREDECESSOR PERIOD	Total Members' Equity (Deficit)
Balance, January 3, 2022	\$ 2,162,868
Distributions to members	(1,620,577)
Net loss	(1,764,986)
Balance, March 28, 2022	<u>\$ (1,222,695)</u>

SUCCESSOR PERIOD	Total Members' Equity
Balance, March 29, 2022	\$ -
Capital contributions	54,310,407
Net loss	(9,883,112)
Balance, January 1, 2023	<u>\$ 44,427,295</u>

Enviro-Master Holdings, LLC and Subsidiaries
Consolidated Statements of Cash Flows
Periods Ending January 1, 2023 and March 28, 2022

	Successor	Predecessor
	March 29, 2022	January 3, 2022
	Through	Through
	January 1, 2023	March 28, 2022
Cash flows from operating activities:		
Net loss	\$ (9,883,112)	\$ (1,764,986)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for bad debts	-	58,385
Depreciation and amortization	6,941,747	55,152
Amortization of debt issuance costs	175,927	-
Loss on disposal of property and equipment	3,287	-
Non-cash lease expense	158,438	-
Changes in operating assets and liabilities:		
Accounts receivable	(111,791)	46,021
Inventories	12,250	(4,355)
Prepaid expenses	(411,203)	30,058
Accounts payable	1,299,095	(1,055,783)
Accrued expenses and other current liabilities	(344,020)	773,080
Accrued transaction fees	-	2,590,840
Lease liability - operating lease	99,584	-
Deferred revenue	233,640	(246,019)
	(1,826,158)	482,393
Cash flows from investing activities:		
Purchase of property and equipment	(89,935)	(9,107)
Issuance of notes receivable	-	(93,181)
Collections on notes receivable	116,670	-
Acquisition, net of cash acquired	(71,434,132)	-
	(71,407,397)	(102,288)
Cash flows from financing activities:		
Proceeds from long-term debt	40,000,000	-
Debt issuance costs	(1,172,849)	-
Payments on long-term debt	(300,000)	-
Proceeds on revolving line of credit	250,000	-
Payments on finance lease obligations	(245,114)	(132,026)
Distributions paid	-	(1,620,577)
Proceeds from issuance of equity	37,310,407	-
	75,842,444	(1,752,603)

See accompanying notes.

Enviro-Master Holdings, LLC and Subsidiaries
Consolidated Statements of Cash Flows
Periods Ending January 1, 2023 and March 28, 2022

(Continued)

	Successor	Predecessor
	March 29, 2022 Through January 1, 2023	January 3, 2022 Through March 28, 2022
Net increase (decrease) in cash, cash equivalents, and restricted cash	2,608,889	(1,372,498)
Cash, cash equivalents, and restricted cash - beginning of period	-	3,877,317
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 2,608,889</u>	<u>\$ 2,504,819</u>
Supplemental disclosure of non-cash investing and financing activities:		
Membership interests issued as acquisition consideration	<u>\$ 17,000,000</u>	<u>\$ -</u>

Notes to Consolidated Financial Statements

1. Nature of Business and Summary of Significant Accounting Policies

Organization and nature of business

Enviro-Master Holdings, LLC and Subsidiaries (the “Company”, the “Successor”) is headquartered in Charlotte, North Carolina and provides hygiene, sanitation, and disinfection services to commercial business via its franchise agreement which grants franchisees across the United States and Canada the rights to use the Company’s marketing, business techniques and systems under the “Enviro-Master” trademark. The Company was formed on March 16, 2022, for the purpose of acquiring the membership interests of Enviro-Master International Franchise, LLC (the “Operating Company”, the “Predecessor”) under the terms of the purchase agreement dated March 29, 2022 (the “Transaction”). The accompanying consolidated financial statements are presented for the period from January 3, 2022, to March 28, 2022 (the “Predecessor Period”) and includes only the results of the Operating Company from March 29, 2022, to January 1, 2023 (the “Successor Period”) and includes the results of the Company which is inclusive of the Operating Company.

Reporting period

The Company has elected to report on a fiscal calendar year effective in 2022 for 13 four-week reporting periods. Fiscal year 2022 began January 3, 2022 and ended January 1, 2023.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company. All significant intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and cash equivalents

The Company considers all cash and short-term maturities of three months or less to be cash equivalents. The Company maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”). At times, cash balances may be in excess of the FDIC insurance limit. The Company has not experienced any losses in such accounts.

The Company receives cash on behalf of franchisees that are typically paid out a week in arrears. Cash relating to franchisees totaled \$916,892 as of January 1, 2023. See Accounts payable – franchisees below.

Restricted cash

Restricted cash is held by the Company relating to advertising and can only be used for purposes as defined by the franchise agreement. Restricted cash relating to advertising totaled \$107,519 as of January 1, 2023.

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Following is a reconciliation of cash and cash equivalents and restricted cash as presented in the accompanying consolidated statements of cash flows as of January 1, 2023:

Cash and cash equivalents	\$ 2,501,370
Restricted cash, current	<u>107,519</u>
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	<u>\$ 2,608,889</u>

Accounts receivable

Accounts receivable are carried at face value less an allowance for doubtful accounts. On a periodic basis, management evaluates accounts receivable balances and establishes allowances for doubtful accounts, based on history of past write-offs and collections, as well as customer specific circumstances and credit conditions. No allowance was deemed necessary as of January 1, 2023.

Notes receivable

Notes receivable are carried at face value less an allowance for doubtful accounts. On a periodic basis, management evaluates notes receivable balances and establishes allowances for doubtful accounts, based on history of past write-offs and collections, as well as customer specific circumstances and credit conditions. No allowance was deemed necessary as of January 1, 2023.

Inventories

Inventory is stated at cost, determined on a first-in, first out ("FIFO") basis and consists primarily of soap dispensers and sprayers.

Property and equipment

Property and equipment are stated at fair value for assets acquired at the Transaction and stated at cost, less accumulated depreciation, for assets acquired in the ordinary course of business. Major expenditures and those that substantially increase useful lives are capitalized. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the estimated useful life of the related asset, whichever is shorter. When property and equipment is retired or sold, the cost and related accumulated depreciation or amortization are removed from the consolidated balance sheet, and the resulting gain or loss is included in the consolidated statements of operations. Ordinary maintenance and repair costs are expensed as incurred.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets (including separately recognized intangible assets) acquired. In 2022, the Company adopted ASU No. 2014-18, *Business Combinations* (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination. This accounting standard allows that under business combinations: (1) customer-related intangible assets that are not capable of being sold or licensed separately from the rest of the business and (2) noncompetition agreements be subsumed into goodwill. Adoption of this alternative also required the Company to adopt ASU No. 2014-02, *Intangibles — Goodwill and Other* (Topic 350): Accounting for Goodwill, which requires that goodwill be amortized on a straight-line basis over 10 years (or less, if another useful life is more appropriate). In 2022, the Company adopted ASU No. 2021-03, *Intangibles — Goodwill and Other* (Topic 350): Accounting Alternative for Evaluating Triggering Events, which permits the Company to amortize goodwill over 10 years and test for impairment at the reporting-unit level at the end of the reporting period when a triggering event occurs indicating the fair value of the reporting unit may be below its carrying amount. No impairment indicators exist as of January 1, 2023.

Enviro-Master Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

As discussed above, on March 29, 2022, Enviro-Master International Franchise, LLC was acquired through an equity purchase agreement. The Company assigned all amounts paid in excess of identifiable assets to goodwill. GAAP requires that separately identifiable intangible assets acquired in a business combination be recorded at fair value. Management has not identified or established a value for the separately identifiable intangible assets acquired, which represents a departure from GAAP. If the Company had recorded separately identifiable intangible assets at fair value, as required, it would result in an increase to intangible assets and a decrease to goodwill and the related goodwill amortization expense. The impact on the consolidated financial statements has not been determined.

Impairment of long-lived assets

The Company reviews the carrying value of long-lived assets for impairment whenever triggering events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flow expected to result from its use and eventual disposition. In cases where the estimated undiscounted future cash flow is less than the carrying value of an asset, an impairment loss is recognized equal to the amount by which the carrying value exceeds the fair value of the asset. Based on managements' assessments, no impairment occurred during the Successor Period or Predecessor Period.

Debt issuance costs

Costs incurred related to the Company's debt are capitalized and amortized over the loan periods using the straight-line method (which approximates the effective interest method). The debt issuance costs are shown as a direct deduction from long-term debt on the consolidated balance sheet. As of January 1, 2023, debt issuance costs, net of accumulated amortization was \$996,922.

Accounts payable – franchisees

The Company collects accounts receivable on behalf of its franchisees and remits the balance to the franchisees weekly after deducting franchise service fees, royalties, advertising, administrative, telemarketing fees and other amounts which may be due to the Company. Accounts payable – franchisees include these collections and all other amounts due to the franchisees.

Revenue recognition

The Company derives its revenues from franchise sales, product sales, and royalties and other franchise fees. Revenues are recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. The Company applies the five-step model under FASB ASC Topic 606, *Revenue from Contracts with Customers*, to determine when revenue is earned and recognized.

The Company has elected the practical expedient available to private companies under ASU 2021-02, *Franchisors—Revenue from Contracts with Customers*, to account for pre-opening activities as one distinct performance obligation for new franchise sales. The initial franchise fees are payable based on contract terms prior to the franchise opening. The transaction price is recognized as revenue on a straight-line basis over a 2-month period, based on timing of when services are satisfied for pre-opening activities. Franchise renewals and existing franchise sales are recognized as revenue upon execution of the franchise agreement.

The Company receives a significant portion of its revenue from sales-based royalties, admin fees, advertising fees and other franchise fees from franchisees. These fees are determined as a percentage of sales and are recognized in the period earned by the Company.

The Company receives a significant portion of its revenue from product sales to franchisees. Revenues and the related cost of revenue are recognized upon delivery of the products to franchisees.

Enviro-Master Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

Selling, general and administrative expenses

Selling, general and administrative expenses consist of costs associated with administrative and support functions related to the Company's existing business as well as growth and development activities. These costs primarily consist of consultants, credit card and bank fees, advertising, and professional expenses.

Franchise agreements

Franchise agreements are available for a territory over a specified period of time. The franchise agreement defines the territory the new franchise is able to serve. New franchisees are required to pay the Company an initial franchise fee plus a weekly royalty fee of 6%, administrative fee of 5%, and advertising fee of 2% of the franchisee's weekly gross receipts for the duration of the franchise agreement.

Advertising costs

Advertising costs are expensed as incurred. Advertising expense was \$488,032 and \$188,722 for the Successor Period and Predecessor Period, respectively.

Income taxes

The Company is a limited liability company treated as a partnership for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the members. As such, no recognition of federal or state income taxes for the Company have been provided for in the accompanying consolidated financial statements.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). This guidance applies to all entities that enter into leases and is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheet and disclosing key information about leasing arrangements. The new guidance requires lessees to recognize the assets and liabilities on the consolidated balance sheet for the rights and obligations created by leases with lease terms of more than twelve months, amends various other aspects of accounting for leases by lessees and lessors, and requires enhanced disclosures. Leases will be classified as finance or operating, with the classification affecting the pattern and classification of expense recognition within the consolidated statements of operations. See below for lease accounting policies and Note 8.

The Company transitioned to FASB Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), from ASC Topic 840, *Leases* (the "Previous Standard") on January 3, 2022 using the effective date as the date of initial application. The consolidated financial statements reflect the application of ASC 842 guidance beginning in 2022. The Company's transition to ASC 842 represents a change in accounting principle.

The Company has elected to exclude short-term leases, or leases with a term of twelve months, from the balance sheet.

In addition, the Company has elected the transition package of practical expedients permitted within the new standard. This practical expedient permits the Company to carryforward the historical lease classification and not to reassess initial direct costs for any existing leases.

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

The Company has elected the practical expedient that allows lessees to avoid separating lease and non-lease components within a contract if certain criteria are met. The lessee's practical expedient election is limited to circumstances in which (i) the timing and pattern of revenue recognition are the same for the non-lease component and the related lease component and (ii) the combined single lease component would be classified as an operating lease. This practical expedient allows the Company the ability to combine the lease and non-lease components if the underlying asset meets the two criteria above.

Lastly, the Company has elected the practical expedient to use the risk-free interest rate as the discount rate at the time of commencement or modification date in determining the present value of lease payments.

2. Business Combination

As discussed in Note 1, the Company purchased all the membership interests in the Operating Company in conjunction with the Transaction on March 29, 2022. The total purchase price was \$90,938,951, which was made up of the following:

Cash	\$ 73,938,951
Rollover equity	<u>17,000,000</u>
Total consideration transferred	<u>\$ 90,938,951</u>

The purchase price was financed through a combination of debt borrowings of \$40,000,000 and equity contributions of \$54,310,407.

The Transaction was recorded in accordance with ASC 805: *Business Combinations*. Management has elected to apply pushdown accounting to the Company's consolidated financial statements. Accordingly, the Company has recorded all assets acquired and liabilities assumed at the acquisition date fair values with any excess recognized as goodwill. The purchase price allocation process was complete as of January 1, 2023.

The consideration paid was allocated to the assets acquired and liabilities assumed according to their estimated fair values at the time of acquisition as follows:

Assets acquired:	
Cash	\$ 2,504,819
Accounts receivable	221,609
Prepaid expenses and other current assets	125,402
Note receivable	124,459
Property, plant, and equipment	540,439
Right of use asset	<u>247,035</u>
Gross assets acquired, excluding goodwill	<u>3,763,763</u>
Liabilities assumed:	
Accounts payable and accrued expenses	1,317,821
Other current liabilities	552,622
Lease liability – finance lease	35,324
Lease liability – operating lease	<u>275,035</u>
Total liabilities assumed	<u>2,180,802</u>

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Net assets acquired, excluding goodwill	1,582,961
Goodwill	<u>89,355,990</u>
 Total purchase price	 <u>\$ 90,938,951</u>

Goodwill, which represents the excess of the consideration paid over the fair value of recognized net assets acquired, includes, but is not limited to, the value of the workforce in place, the ability to generate profits and cash flows, an established going concern, customer-related intangibles, and other unidentifiable intangible assets.

3. Goodwill

Goodwill, as a result of the acquisition disclosed in Note 2, consists of the following as of January 1, 2023:

	<u>Amortization Period</u>	<u>January 1, 2023</u>
Goodwill	10 Years	\$ 89,355,990
Accumulated amortization		<u>(6,701,216)</u>
 Goodwill, net		 <u>\$ 82,654,774</u>

Amortization expense for goodwill was \$6,701,216 for the Successor Period. Estimated amortization expense of goodwill for each of the five years subsequent to January 1, 2023 and thereafter are as follows:

2023	\$ 8,935,700
2024	8,935,700
2025	8,935,700
2026	8,935,700
2027	8,935,700
Thereafter	<u>37,976,274</u>
	 <u>\$ 82,654,774</u>

4. Notes receivable

Note receivables represents company-offered financing of initial franchise fees and working capital loans. The term of the note is for three years, with non-interest bearing. The note is secured with the franchisee's business as pledged collateral. The notes receivable balance as of January 1, 2023, in the amount of \$7,789 is classified as a current asset on the accompanying consolidated balance sheet.

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

5. Property and equipment, net

Property and equipment consist of the following as of January 1, 2023:

	<u>Estimated Useful Life (in years)</u>	<u>January 1, 2023</u>
Software and website design	3 years	\$ 330,096
Computer equipment	5 years	164,608
Office furniture and fixtures	4 years	56,373
Leasehold improvements	11 years	19,555
Construction in progress		<u>50,000</u>
Total property and equipment		620,632
Accumulated depreciation		<u>(234,075)</u>
Property and equipment, net		<u>\$ 386,557</u>

Depreciation expense was \$240,531 and \$55,152 for the Successor Period and Predecessor Period, respectively.

6. Accrued liabilities

Accrued expenses and other current liabilities consist of the following as of January 1, 2023:

Accrued commissions	\$ 131,731
Accrued credit card liability	21,282
Accrued payroll and payroll taxes	222,085
Other accrued expenses	<u>452,354</u>
	<u>\$ 827,452</u>

7. Long-term debt and revolving line of credit

Long-term debt consists of the following as of January 1, 2023:

Revolving line of credit	\$ 250,000
Term loan	<u>39,700,000</u>
Total current and long-term debt	39,950,000
Current portion	(400,000)
Debt issuance costs, net	<u>(96,922)</u>
Total long-term debt, net of current portion and debt issuance costs	<u>\$ 38,553,078</u>

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Term loan and revolving line of credit

As part of the “Acquisition,” the Company entered into a credit facility (the “Credit Agreement”) which provides for (i) a \$40,000,000 term loan credit facility (the “Term Loan”) and (ii) availability of up to \$3,000,000 of a revolving credit facility (the “Revolver”). Borrowings under the Credit Agreement are secured by substantially all of the Company’s assets as well as Members’ equity. The Term Loan requires calendar quarterly payments of principal and interest beginning June 30, 2022, with a balloon payment upon maturity on March 29, 2027. The Revolver and any accrued interest is due upon maturity on March 29, 2027.

The Term Loan and Revolver accrue interest at an adjusted term SOFR for the interest therefor plus the applicable margin of 6.5% per annum, as defined in the Credit Agreement. As of January 1, 2023, the interest rates associated with the Term Loan and Revolver were approximately 10.76% and 10.92%, respectively.

The Term Loan and Revolver, described above, are subject to certain financial covenants and restrictions specified in the Credit Agreement. In addition, the Company is subject to excess cash flow requirements, which require accelerated debt principal payments under certain conditions. As of January 1, 2023, the Company was in compliance with its financial covenants.

Principal maturities of long-term debt consist of the following as of January 1, 2023:

2023	\$	400,000
2024		700,000
2025		800,000
2026		800,000
2027		800,000
Thereafter		<u>36,450,000</u>
	\$	<u>39,950,000</u>

8. Commitments and contingencies

Operating lease obligations

The Company leases office space accounted for as an operating lease. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. For leases commencing after January 3, 2022, the Company accounts for fixed lease and non-lease components together as a single, combined lease component. Variable lease costs, which may include common area maintenance, insurance, and taxes are not included in the lease liability and are expensed in the period incurred.

The office lease expires on April 29, 2023 and does not include a renewal option. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

The Company evaluates leases at contract inception to determine whether the Company has the right to control use of the identified asset for a period of time in exchange for consideration. If it is determined the Company has the right to obtain substantially all of the economic benefit from use of the identified asset and the right to direct the use of the identified asset, the Company recognizes a right-of-use (“ROU”) asset and lease liability. Also, at contract inception, the Company evaluates leases to estimate their expected term which includes renewal options that we are reasonably assured that we will exercise, and the classification of the lease as either an operating lease or a finance lease. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease ROU assets represent the Company’s right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs and lease incentives. The Company assesses the impairment of the ROU asset at the asset group level whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

Changes in these assumptions and management judgments may produce materially different amounts in the recognition of the right-of-use assets and lease liabilities. Additionally, any loss resulting from an impairment of the right-of-use assets is recognized by a charge to income, which could be material.

The Company’s lease contains rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term.

The Company’s lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Consolidated balance sheet information related to right-of-use assets and lease liabilities are as follows:

<u>Leases</u>	<u>Classifications</u>	<u>January 1, 2023</u>
Assets:		
Operating lease assets	Right-of-use asset, net	<u>\$ 88,597</u>
Liabilities:		
Current:		
Operating	Current portion of lease liabilities	\$ 99,584
Noncurrent:		
Operating	Lease liabilities, net of current portion	<u>-</u>
Total lease liabilities		<u>\$ 99,584</u>

The following summarizes the weighted average remaining lease term and discount rate as of January 1, 2023.

Remaining lease term - operating leases 4 months

Discount rate - operating leases 0.59%

For the Successor period ended January 1, 2023, the components of lease cost, which are included within selling, general, and administrative expenses on the consolidated statements of operations, were as follows:

Operating lease cost	\$ 159,728
Variable lease cost	<u>-</u>
Total lease cost	<u>\$ 159,728</u>

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

For the Predecessor period ended March 28, 2022, the components of lease cost, which are included within selling, general, and administrative expenses on the consolidated statements of operations, were as follows:

Operating lease cost	\$ 69,272
Variable lease cost	<u>-</u>
Total lease cost	<u>\$ 69,272</u>

The following summarizes supplemental cash flow information for the Successor Period:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 176,331</u>

The following summarizes supplemental cash flow information for the Predecessor Period:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 57,636</u>

The Company's costs related to short-term leases, those with a duration between one and twelve months, were immaterial.

As of January 1, 2023, maturities of lease liabilities were as follows:

2023	\$ 99,732
Imputed interest	<u>(148)</u>
Present value of lease liabilities	<u>\$ 99,584</u>

Finance lease obligations

The Company leases equipment accounted for as a finance lease under a non-cancellable finance leases, included in property and equipment, net, as of January 1, 2023 are as follows:

Computer equipment	\$ 35,141
Accumulated Depreciation	<u>(5,220)</u>
	<u>\$ 29,921</u>

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

The Company's estimated future minimum lease payments required under the terms of the leases is as follows:

2023	\$	7,962
2024		8,686
2025		8,686
2026		<u>7,239</u>
Total minimum lease payments		32,573
Amounts representing interest		<u>(2,652)</u>
Present value of net minimum lease payments		29,921
Current portion of net minimum lease payments		<u>(7,493)</u>
Finance lease obligations, net of current portion	\$	<u>22,428</u>

9. Related party activities

The Company entered into a lease agreement with a related party through common ownership prior to the transaction on March 29, 2022. The lease agreement is for the use of a boat and the Company is required to cover all repairs and maintenance expenses. During the Predecessor Period, total lease payments were \$16,030 and repairs and maintenance expenses were \$39,042. The lease was terminated in March 2022.

The Company incurred a management fee from a related party. The total amount incurred was approximately \$203,000 and \$0 for the Successor Period and Predecessor Period, respectively, which is recorded in Selling, general, and administrative expenses on the accompanying consolidated statement of operations.

10. Retirement plan

January 1, 2016, the Company established a SIMPLE IRA plan. All full-time employees are eligible to participate in the plan after ninety days of employment, as well as an annual election period from November 2 through December 31. During the Successor Period and Predecessor Period, the Company matched 100 percent of up to three percent of an eligible employee's contributions, totaling \$71,353 and \$20,140, respectively.

11. Subsequent Events

The Company evaluated all events or transactions that occurred after January 1, 2023 through March 27, 2023, the date that the consolidated financial statements were available to be issued. During this period, there have been no material events that would require an adjustment or disclosure in the consolidated financial statements other than as discussed below.

Enviro-Master Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements

On January 18, 2023, the Company acquired Enviro-Master Charlotte, LLC for approximately \$6,700,000. Enviro-Master Charlotte, LLC has franchise rights for the Charlotte, NC and Myrtle Beach, SC territories. The initial accounting for the acquisitions has not been finalized as of the date that the consolidated financial statements were available to be issued. In connection with the acquisitions, the Company signed a note agreement with the seller for \$1,500,000 to fund the acquisition maturing in January 2028, with six percent interest per annum. Additionally, rollover equity for approximately \$650,000 was included in the purchase price.



ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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Board of Managers and Members
Enviro-Master International Franchise, LLC and Subsidiaries
Charlotte, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheets of Enviro-Master International Franchise, LLC and its subsidiaries as of December 31, 2021 and 2020, which comprise the consolidated statements of income, consolidated statements of equity, consolidated statements of cash flows and the related notes to the consolidated financial statements for the years ended December 31, 2021 and 2020.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated schedules of consolidated balance sheets, consolidated statements of income, cash flows, and general and administrative expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



February 24, 2022
Charlotte, North Carolina

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 3,877,317	\$ 4,145,114
Accounts receivable - franchisees, net	326,015	402,942
Inventory	51,295	119,499
Current portion of notes receivable	23,490	33,752
Prepaid expenses and other current assets	78,530	99,207
Total current assets	4,356,647	4,800,514
PROPERTY AND EQUIPMENT - net of accumulated depreciation	508,553	427,887
OTHER ASSETS		
Notes receivable - net of current portion	7,789	80,839
Intangible assets - net of amortization	4,308	75,999
Other assets	21,280	21,230
	33,377	178,068
	\$ 4,898,577	\$ 5,406,469

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 821,847	\$ 933,173
Accounts payable - franchisees	951,102	1,929,100
Deferred revenue	263,149	147,101
Accrued expenses	472,688	509,564
Current portion of capital lease obligations	<u>78,218</u>	<u>40,880</u>
Total current liabilities	<u>2,587,004</u>	<u>3,559,818</u>
NON-CURRENT DEBT		
Capital lease obligations - net of current portion	116,722	29,488
Other liabilities	<u>31,983</u>	<u>46,165</u>
	<u>148,705</u>	<u>75,653</u>
MEMBERS' EQUITY		
Enviro-Master International Franchise, LLC members' equity	2,162,868	1,637,372
Non-controlling interest	<u>-</u>	<u>133,626</u>
	<u>2,162,868</u>	<u>1,770,998</u>
	<u>\$ 4,898,577</u>	<u>\$ 5,406,469</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE		
Franchise sales, net	\$ 598,567	\$ 1,211,125
Royalties and franchise fees	13,348,482	12,606,533
Product sales, net	<u>9,719,291</u>	<u>10,358,485</u>
	<u>23,666,340</u>	<u>24,176,143</u>
 COST OF REVENUE		
Products	8,364,323	9,019,704
Labor	3,210,409	2,872,048
Broker commissions on franchise sales	<u>138,044</u>	<u>245,178</u>
	<u>11,712,776</u>	<u>12,136,930</u>
 GROSS PROFIT	 11,953,564	 12,039,213
 GENERAL AND ADMINISTRATIVE EXPENSES	 <u>7,423,783</u>	 <u>6,667,018</u>
	 <u>4,529,781</u>	 <u>5,372,195</u>
 OTHER INCOME (EXPENSE)		
Interest income	4,319	10,835
Other income	9,834	-
Loss on sale of property and equipment	(5,739)	(2,146)
Settlement (expense) income	(56,200)	82,062
Loss on foreign currency exchange	(8,368)	(381)
Interest expense	<u>(8,503)</u>	<u>(25,261)</u>
	<u>(64,657)</u>	<u>65,109</u>
 CONSOLIDATED NET INCOME	 4,465,124	 5,437,304
Less: Net loss attributable to non-controlling interest	 <u>(14,470)</u>	 <u>(19,191)</u>
 NET INCOME ATTRIBUTABLE TO ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC	 <u>\$ 4,479,594</u>	 <u>\$ 5,456,495</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>TOTAL</u>	<u>Enviro-Master International Franchise, LLC</u>	<u>Non- Controlling Interest</u>
As of the year ended December 31, 2019	\$ 465,981	\$ 313,164	\$ 152,817
Net income (loss)	5,437,304	5,456,495	(19,191)
Distributions to members	<u>(4,132,287)</u>	<u>(4,132,287)</u>	<u>-</u>
As of the year ended December 31, 2020	1,770,998	1,637,372	133,626
Net income (loss)	4,465,124	4,479,594	(14,470)
Distributions to members	<u>(4,073,254)</u>	<u>(3,954,098)</u>	<u>(119,156)</u>
As of the year ended December 31, 2021	<u>\$ 2,162,868</u>	<u>\$ 2,162,868</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Net income	\$ 4,465,124	\$ 5,437,304
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	275,308	262,644
Loss on disposal of property and equipment	5,739	2,146
Bad debt recovery	(12,088)	-
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable - franchisees	89,015	(160,763)
Decrease in prepaid expenses and other current assets	20,677	89,230
Decrease (increase) in inventory	68,204	(119,499)
(Increase) decrease in other assets	(50)	4,140
(Decrease) increase in accounts payable - trade	(111,326)	180,285
(Decrease) increase in accounts payable - franchisees	(977,998)	949,399
Increase in deferred revenue	101,866	21,276
(Decrease) increase in accrued expenses	(36,876)	165,130
Total adjustments	<u>(577,529)</u>	<u>1,393,988</u>
Cash provided by operating activities	<u>3,887,595</u>	<u>6,831,292</u>
Cash flows from investing activities:		
Purchases of property and equipment	(100,766)	(157,419)
Net proceeds from notes receivable	83,312	293,126
Cash (used in) provided by investing activities	<u>(17,454)</u>	<u>135,707</u>
Cash flows from financing activities:		
Principal payments on notes payable	-	(12,284)
Principal payments on notes payable - members	-	(160,565)
Principal payments on capital lease obligations	(64,684)	(44,416)
Distributions to members	(4,073,254)	(4,132,287)
Cash used in financing activities	<u>(4,137,938)</u>	<u>(4,349,552)</u>
NET (DECREASE) INCREASE IN CASH	(267,797)	2,617,447
CASH AT BEGINNING OF YEAR	<u>4,145,114</u>	<u>1,527,667</u>
CASH AT END OF YEAR	<u>\$ 3,877,317</u>	<u>\$ 4,145,114</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 1 – Summary of Significant Accounting Policies:

The Company:

Enviro-Master International Franchise, LLC (“EMIF”) was organized in North Carolina on December 30, 2013. Originally founded in 2009 as Enviro-Master Services, the Company provides hygiene service franchises to franchisees throughout the United States and Canada. The Company awards exclusive franchises via its franchise agreement which grants franchisees the right to use the Company’s marketing, business techniques and systems under the “Enviro-Master” trademark. The Company provides franchisees with initial training, ongoing training and support, business products at discounted prices, as well as revenue collection services. The Company remits the collections to franchisees after deducting the franchise service fees, royalties, advertising, administrative, telemarketing fees and other amounts which may be due.

EM Capital Services, LLC (“EMCS”) was formed in North Carolina on September 7, 2016 to hold and sell the rights to use customer lists that were acquired as part of an asset purchase from a competitor in the restroom cleaning business. EMIF owns 80 percent of membership interests in EMCS. As of December 31, 2021, EMCS ceased operations as customer rights were fully amortized, the Company had completed collection activities for all notes receivable related to the sales of customer lists and there were no further ongoing obligations.

Principles of Combination:

Enviro-Master International Franchise, LLC and EM Capital Services, LLC (collectively the “Company”) have common ownership and management. The financial statements of these companies have been consolidated in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810 “Consolidation”. All intercompany receivables and payables have been eliminated in these consolidated financial statements.

Cash and Cash Equivalents:

The Company considers all highly liquid investments having an original maturity of three months or less to be cash equivalents. Amounts invested may exceed federally insured limits at any given time. As of December 31, 2021 and 2020, the Company did not have any investments with maturities greater than three months.

Note 1 – Summary of Significant Accounting Policies (continued):

Accounts Receivable and Revenue Recognition:

The Company adopted FASB ASC 606 and Accounting Standards Update 2011-02 “Franchisors-Revenue from Contracts with Customers (Subtopic 952-606)” effective for the year ended December 31, 2020. FASB ASC 606 prescribes a five-step model that includes: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue as performance obligations are satisfied. The practical expedients under ASU 2011-02 aim to simplify the application about identifying performance obligations by permitting franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license.

EMIF is a franchisor and derives revenue from three sources. The Company adopted the practical expedient to enable recording of revenue on initial franchise fees as certain pre-opening performance obligations as set forth in the franchise agreement are completed. Revenue from product sales is recognized at the time the franchisee takes possession of the products. Royalties and franchise fee revenue, which include royalties, marketing and administrative charges that are primarily based on a percentage of franchisee revenue, are accrued as the underlying franchisee revenue is earned. The revenue of EMIF represents 100 percent of the consolidated total revenue from continuing operations for 2021 and 2020.

Accounts receivable are carried at face value less an allowance for doubtful accounts. On a periodic basis, management evaluates accounts receivable balances and establishes allowances for doubtful accounts, based on history of past write-offs and collections, as well as customer specific circumstances and credit conditions. At December 31, 2021 and 2020, the allowance for doubtful accounts from franchisees was \$0.

EMCS is a financing company whose clients are the franchisees of EMIF. Revenue generated from the sale of rights to use certain assets of the Company are recognized upon receipt of the applicable fee or an executed note receivable. No revenue was generated by EMCS for the years ended December 31, 2021 and 2020.

Notes Receivable:

Notes receivable are carried at face value less an allowance for doubtful accounts. Interest accrues on notes receivable as stated in each note agreement. On a periodic basis, management evaluates notes receivable balances and establishes allowances for doubtful accounts, based on history of past write-offs and collections as well as customer specific circumstances and credit conditions.

Note 1 – Summary of Significant Accounting Policies (continued):

Property and Equipment:

Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of three years for computer software and website; five years for computers; five to seven years for furniture and fixtures; seven years for office equipment; and fifteen years for leasehold improvements. Repairs and maintenance costs are expensed as incurred. Any gain or loss on disposition of property and equipment is reported in the year of disposition.

Intangible assets:

Intangible assets primarily include customer lists, all of which are amortized on a straight-line basis over their estimated useful lives of five years. The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. No impairment was recorded for the years ended December 31, 2021 and 2020.

The Company has adopted the guidance provided in FASB ASC Topic 350 "Accounting for Goodwill." In accordance with this accounting alternative, the Company amortizes goodwill on a straight-line basis over ten years and evaluates goodwill for impairment at the entity level when a triggering event occurs. No impairment has been recorded through December 31, 2021.

Inventory:

Inventory is stated at cost, determined on a first-in, first out ("FIFO") basis and consists primarily of soap dispensers and sprayers.

Accounts Payable - Franchisees:

The Company collects accounts receivable on behalf of its franchisees and remits the balance to the franchisees weekly after deducting franchise service fees, royalties, advertising, administrative, telemarketing fees and other amounts which may be due to the Company. Accounts Payable – Franchisees includes these collections and all other amounts due to the franchisees.

Deferred Revenue:

The Company recognizes revenue at the time the franchisee takes possession of products purchased. When the Company receives payment from franchisees for products ordered before the franchisee has taken possession of the products, the amount received is recorded as deferred revenue until the sale is complete. At December 31, 2021 and 2020, deferred revenue from products was \$231,393 and \$123,101, respectively. The cost of goods sold associated with these transactions are approximately \$196,545 and \$98,570, as of December 31, 2021 and 2020, respectively. These costs will be recognized when the franchisee has taken possession of the products, indicating the sale transaction is completed, and the revenue is recognized as earned. Additionally, \$31,756 and \$24,000 of deferred revenue related to new franchise training and sales management programs has been recorded as of December 31, 2021 and 2020, respectively.

Note 1 – Summary of Significant Accounting Policies (continued):

Freight Charges:

The Company passes freight charges through to its franchisees.

Advertising:

The Company expenses advertising costs as incurred. Advertising costs related to continuing operations for the years ended December 31, 2021 and 2020, totaled \$363,098 and \$431,213, respectively.

Income Taxes:

The Company is a limited liability company that has elected to be taxed under the partnership provisions of the Internal Revenue Code. Under these provisions, the members are taxed on their share of the Company's taxable income. The Company bears no liability or expense for income taxes, and none is reflected in these financial statements. Similar provisions apply for state income taxes.

The Company accounts for income taxes in accordance with FASB ASC 740-10 "Income Taxes". This standard clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the balance sheet. It also provides guidance on derecognition, measurement and classification of amounts related to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim period disclosures and transition relating to the adoption of new accounting standards. Under FASB ASC 740-10, the recognition for uncertain tax positions should be based on a more-likely-than-not threshold that the tax position will be sustained upon audit. The tax position is measured as the largest amount of benefit that has a greater than fifty percent probability of being realized upon settlement. The Company believes it is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years before 2018.

Fair Value of Financial Instruments:

The Company's financial instruments include cash, accounts receivable, inventory, accounts payable, accrued liabilities and notes payable. The carrying amounts of these instruments approximate fair value due to their short maturities and variable rates of interest. The carrying amounts of long-term debt approximate their fair values based on current rates available for similar types of instruments.

As of December 31, 2021 and 2020, the Company did not have any outstanding financial derivative instruments.

Note 1 – Summary of Significant Accounting Policies (continued):

Use of Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Note 2 – Notes Receivable:

Notes receivable represents company-offered financing of initial franchise fees and working capital loans. The terms of the notes range from six months to five years, with interest up to twelve percent. The notes are generally secured with the franchisee's business as pledged collateral.

The following represents notes receivable as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Notes receivable	\$ 31,279	\$ 114,591
Less: allowance for doubtful accounts	-	-
	<u>31,279</u>	<u>114,591</u>
Less: current portion of notes receivable	<u>(23,490)</u>	<u>(33,752)</u>
	<u>\$ 7,789</u>	<u>\$ 80,839</u>

Note 3 – Property and Equipment:

Property and equipment at December 31, 2021 and 2020, is summarized as follows:

	<u>2021</u>	<u>2020</u>
Computer equipment and software	\$ 627,104	\$ 456,709
Website development in process	-	1,500
Leasehold improvements	26,822	26,822
Office furniture and fixtures	251,849	238,024
Website design	<u>197,521</u>	<u>197,521</u>
	1,103,296	920,576
Less: accumulated depreciation	<u>(594,743)</u>	<u>(492,689)</u>
	<u>\$ 508,553</u>	<u>\$ 427,887</u>

Depreciation for the years ended December 31, 2021 and 2020, was \$203,616 and \$167,613, respectively.

Note 4 – Intangible Assets:

Customer Lists:

The customer lists are amortized on a straight-line basis over their estimated useful lives of five years. Customer lists are evaluated for impairment when a triggering event occurs. At December 31, 2021, the customer lists were fully amortized. For the years ended December 31, 2021 and 2020, amortization expense was \$71,691 and \$95,032, respectively. No impairment losses were recorded during the years ended December 31, 2021 or 2020.

Trademarks:

The Company had \$4,308 of indefinite lived intangible assets related to trademarks as of December 31, 2021 and 2020. No amortization or impairment losses have been recorded as of December 31, 2021.

Note 5 – Accrued Expenses:

Accrued expenses at December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Accrued commissions	\$ 141,585	\$ 189,461
Accrued credit card liability	23,477	11,612
Accrued payroll and payroll taxes	212,327	219,752
Other accrued expenses	<u>95,299</u>	<u>88,739</u>
	<u>\$ 472,688</u>	<u>\$ 509,564</u>

Note 6 – Line of Credit:

During December 2017, the Company signed a line of credit note with a company related to one of EMIF's members. The credit line is available to the Company in the event that the Company would be unable to meet its obligations to its franchisees as the result of a cyber-attack that compromises the Company's bank account and for which the Company would make a claim with its insurance carrier but would not have received proceeds from insurance prior to requiring funds. The amount available to the Company is \$750,000. For any advances received on the line of credit, interest is payable monthly at the Prime Interest Rate, as reported by The Wall Street Journal, on the date of any advance received and is adjusted on the first day of the subsequent month following any changes to the Prime Interest Rate. All unpaid principal and interest are due one hundred eighty days after receipt of the advance. The credit line was renewed and is available to the Company until December 29, 2022, and is renewable annually thereafter. As of December 31, 2021, the Company has not taken any advances on the line of credit.

Note 7 – Long-Term Debt:

During December 2018, EMIF assumed the debt of the abandoned Seattle franchise from EMCS. Loan payments vary based on account receivable collections. The loan was payable in 260 weekly installments of \$141, including principal and interest at 12.00 percent per year. During 2020, the remaining balance of the note was paid off in full.

Note 8 – Notes Payable - Members:

The Company borrowed money from its members in September 2016. During the year ended December 31, 2020, these notes were paid in full.

Note 9 – Capital Lease Obligations:

At December 31, 2021 and 2020, capital lease obligations are as follows:

	<u>2021</u>	<u>2020</u>
Capital lease dated December 2017, due in 60 monthly installments of \$1,558, including interest at 9.05 percent, secured by office furniture.	\$ 17,814	\$ 34,093
Capital lease dated December 2017, due in 60 monthly installments of \$537, including interest at 9.05 percent, secured by office furniture.	6,629	12,199
Capital lease dated July 2017, due in 63 monthly installments of \$120, including interest at 10.07 percent, secured by office equipment.	-	2,298
Capital lease dated June 2021, due in 60 monthly installments of \$724, including interest at 4.50 percent, secured by office equipment.	37,085	-
Capital lease dated July 2021, due in 36 monthly installments of \$4,582, including interest at 7.00 percent, secured by software.	133,412	-
Capital lease dated September 2017, due in 60 monthly installments of \$350, including interest at 10.07 percent, secured by office equipment.	-	7,583
Capital lease dated July 2018, due in 36 monthly installments of \$1,834, including interest at 12.00 percent, secured by software.	-	14,195
	<u>194,940</u>	<u>70,368</u>
Less: current portion of capital lease obligations	<u>(78,218)</u>	<u>(40,880)</u>
	<u>\$ 116,722</u>	<u>\$ 29,488</u>

Note 9 – Capital Lease Obligations (continued):

At December 31, 2021, capital lease obligations due in aggregate annual installments are as follows:

Year ending December 31,		
2022	\$	78,218
2023		58,523
2024		43,523
2025		8,166
2026		6,510
Thereafter		-
	\$	<u>194,940</u>

As of December 31, 2021 and 2020, fixed assets capitalized related to the above leases were \$289,786 and \$180,672, respectively. For the years ended December 31, 2021 and 2020, the Company recorded depreciation related to these assets of \$55,669 and \$38,932, respectively.

Note 10 – Franchise Sales:

Upon the execution of a franchise agreement, the franchisee will pay the Company an initial franchise fee. This initial franchise fee ranges up to \$90,000 depending on the population in the franchisee's territory. Revenue from franchise sales is recognized when the franchise agreement is signed and either a non-refundable initial fee has been received or a note receivable from the franchisee has been executed and the Company has completed certain obligations as set out in the franchise agreement.

The Company has experienced substantial growth, with increases in the number of franchises sold each year. However, as a territory is assigned to each franchise sold, the Company may reach the point where existing markets become saturated and initial franchise sales revenue declines. Franchise sales after market saturation will come primarily from franchise resales and renewal fees for existing franchises.

The number of initial franchises sold during the year and in operation as of the years ended December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Sold	5	9
In operation at December 31,	88	80

Note 11 – Royalty Income:

During the initial term of the franchise, the franchisee will pay minimum annual royalty fees to EMIF as follows; year 1 is \$0, year 2 is \$12,000, year 3 is \$24,000, year 4 is \$36,000 and year 5 is \$48,000.

After the fifth year of operation, the franchisee will pay minimum annual royalty fees based on the size of the franchisee's territory. The franchisee's territory will be categorized according to the levels of population, based on the most recent information from the National Association of Counties, or a comparable source on the population of persons in the territory. For purposes of minimum annual royalty fees territories may be combined. After the tenth year the minimum annual royalty fee will be fixed in perpetuity.

<u>Level</u>	<u>Population</u>	<u>Year 6</u> <u>Minimum</u> <u>Royalty Fees</u>	<u>Year 7</u> <u>Minimum</u> <u>Royalty Fees</u>	<u>Year 8</u> <u>Minimum</u> <u>Royalty Fees</u>	<u>Year 9</u> <u>Minimum</u> <u>Royalty Fees</u>	<u>Year 10</u> <u>Minimum</u> <u>Royalty Fees</u>
1	0 to 500,000	\$ 48,000	\$ 48,000	\$ 48,000	\$ 48,000	\$ 48,000
2	500,001 to 1,000,000	60,000	72,000	72,000	72,000	72,000
3	1,000,001 to 1,500,000	60,000	72,000	84,000	84,000	84,000
4	1,500,001 to 2,000,000	60,000	72,000	84,000	96,000	96,000
5	2,000,001 to 2,500,000	60,000	72,000	84,000	96,000	108,000
6	2,500,001 to 3,000,000	60,000	72,000	84,000	96,000	108,000
7	3,000,001 and over	60,000	72,000	84,000	96,000	108,000

Note 12 – Commitments and Contingencies:

Operating Leases:

EMIF entered into a lease agreement dated November 2, 2017, for its headquarters. EMIF leases office equipment, office space and a boat under various operating leases that expire through 2024. Rent paid during the years ended December 31, 2021 and 2020, for these leases was \$330,424 and \$281,889, respectively. Future minimum lease payments for operating leases that had initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2021, are as follows:

<u>Year ending December 31,</u>	
2022	\$ 330,938
2023	195,905
2024	88,165
Thereafter	-
	<u>\$ 615,008</u>

Note 12 – Commitments and Contingencies (continued):

Related Party Operating Lease:

EMIF has entered into lease agreements with a related party through common ownership in which it rents a boat that the Company uses to entertain current and prospective franchisees and current and prospective customers. At December 31, 2021, the lease calls for the Company to make monthly payments of \$8,015 through November 2024. Total payments made on these leases were \$96,180 and \$38,260 for the years ended December 31, 2021 and 2020, respectively.

Note 13 – Retirement Plans:

On January 1, 2016, EMIF established a SIMPLE IRA plan. All full-time employees are eligible to participate in the plan after ninety days of employment, as well as an annual election period from November 2 through December 31. For the years ended December 31, 2021 and 2020, the Company matched 100 percent of up to three percent of an eligible employee's contributions, totaling \$88,898 and \$79,835, respectively.

Note 14 – Other Matters:

Concentrations:

The Company places its cash and cash equivalents on deposit with North Carolina financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021 and 2020, the Company's cash balances exceeded this limit by \$3,265,314 and \$3,523,176, respectively. From time to time during the course of the year, the Company's cash balances may exceed this insured limit. The Company periodically reviews the financial condition of the institutions and believes the risk of loss to be minimal.

Product purchases for the years ended December 31, 2021 and 2020, include amounts from three major suppliers that represent approximately 84 percent and 74 percent, respectively, of the Company's purchases. The Company believes no risk is present under this arrangement due to other suppliers being readily available.

Legal Matters:

The Company is subject to various claims and legal proceedings in the ordinary course of its business activities. Management believes that any liability that ultimately results from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Company.

COVID-19:

The Company experienced no significant adverse effects resulting from the COVID-19 pandemic during the years ended December 31, 2021 and 2020.

Note 15 – Subsequent Events:

The Company evaluated all events and transactions through February 24, 2022, the date the financial statements were issued. During this period, there were no material recognizable or non-recognizable subsequent events which occurred prior to issuance of the financial statements.

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE I – CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2021

	Enviro-Master International Franchise, LLC	EM Capital Services, LLC	Eliminations	Consolidated
<u>ASSETS</u>				
CURRENT ASSETS				
Cash	\$ 3,877,317	\$ -	\$ -	\$ 3,877,317
Accounts receivable - franchisees	326,015	-	-	326,015
Inventory	51,295	-	-	51,295
Current portion of notes receivable	23,490	-	-	23,490
Prepaid expenses and other current assets	78,530	-	-	78,530
	<u>4,356,647</u>	<u>-</u>	<u>-</u>	<u>4,356,647</u>
Total current assets				
	<u>4,356,647</u>	<u>-</u>	<u>-</u>	<u>4,356,647</u>
PROPERTY AND EQUIPMENT - net of accumulated depreciation				
	<u>508,553</u>	<u>-</u>	<u>-</u>	<u>508,553</u>
OTHER ASSETS				
Notes receivable - net of current portion	7,789	-	-	7,789
Customer lists - net of amortization	4,308	-	-	4,308
Other assets	21,280	-	-	21,280
	<u>33,377</u>	<u>-</u>	<u>-</u>	<u>33,377</u>
	<u>\$ 4,898,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,898,577</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE I – CONSOLIDATING BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2021

	Enviro-Master International Franchise, LLC	EM Capital Services, LLC	Eliminations	Consolidated
<u>LIABILITIES AND MEMBERS' EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable - trade	\$ 821,847	\$ -	\$ -	\$ 821,847
Accounts payable - franchisees	951,102	-	-	951,102
Deferred revenue	263,149	-	-	263,149
Accrued expenses	472,688	-	-	472,688
Current portion of capital lease obligations	78,218	-	-	78,218
Total current liabilities	<u>2,587,004</u>	<u>-</u>	<u>-</u>	<u>2,587,004</u>
NON-CURRENT DEBT				
Capital lease obligations - net of current portion	116,722	-	-	116,722
Other liabilities	31,983	-	-	31,983
	<u>148,705</u>	<u>-</u>	<u>-</u>	<u>148,705</u>
MEMBERS' EQUITY				
Enviro-Master International Franchise, LLC members' equity	2,162,868	-	-	2,162,868
Non-controlling interest	-	-	-	-
	<u>2,162,868</u>	<u>-</u>	<u>-</u>	<u>2,162,868</u>
	<u>\$ 4,898,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,898,577</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE I - CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2020

	<u>Enviro-Master International Franchise, LLC</u>	<u>EM Capital Services, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash	\$ 4,144,203	\$ 911	\$ -	\$ 4,145,114
Accounts receivable - franchisees	402,942	-	-	402,942
Inventory	119,499	-	-	119,499
Current portion of notes receivable	33,752	-	-	33,752
Prepaid expenses and other current assets	99,207	-	-	99,207
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	4,799,603	911	-	4,800,514
	<hr/>	<hr/>	<hr/>	<hr/>
PROPERTY AND EQUIPMENT - net of accumulated depreciation	427,887	-	-	427,887
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER ASSETS				
Notes receivable - net of current portion	80,839	-	-	80,839
Customer lists - net of amortization	8,478	67,521	-	75,999
Other assets	21,230	-	-	21,230
Investment in subsidiaries	(66,904)	-	66,904	-
	<hr/>	<hr/>	<hr/>	<hr/>
	43,643	67,521	66,904	178,068
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 5,271,133	\$ 68,432	\$ 66,904	\$ 5,406,469
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE I – CONSOLIDATING BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2020

	Enviro-Master International <u>Franchise, LLC</u>	EM Capital <u>Services, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable - trade	\$ 933,173	\$ -	\$ -	\$ 933,173
Accounts payable - franchisees	1,929,100	-	-	1,929,100
Accounts payable - related parties	4,290	(4,290)	-	-
Deferred revenue	147,101	-	-	147,101
Accrued expenses	503,564	6,000	-	509,564
Current portion of capital lease obligations	40,880	-	-	40,880
Total current liabilities	<u>3,558,108</u>	<u>1,710</u>	<u>-</u>	<u>3,559,818</u>
 NON-CURRENT DEBT				
Capital lease obligations - net of current portion	29,488	-	-	29,488
Other liabilities	46,165	-	-	46,165
	<u>75,653</u>	<u>-</u>	<u>-</u>	<u>75,653</u>
 MEMBERS' EQUITY				
Enviro-Master International Franchise, LLC members' equity	1,637,372	(66,904)	66,904	1,637,372
Non-controlling interest	-	133,626	-	133,626
	<u>1,637,372</u>	<u>66,722</u>	<u>66,904</u>	<u>1,770,998</u>
	<u>\$ 5,271,133</u>	<u>\$ 68,432</u>	<u>\$ 66,904</u>	<u>\$ 5,406,469</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE II – CONSOLIDATING STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2021

	Enviro-Master International Franchise, LLC	EM Capital Services, LLC	Eliminations	Consolidated
REVENUE				
Franchise sales, net	\$ 598,567	\$ -	\$ -	\$ 598,567
Royalties and franchise fees	13,348,482	-	-	13,348,482
Product sales, net	9,719,291	-	-	9,719,291
	<u>23,666,340</u>	<u>-</u>	<u>-</u>	<u>23,666,340</u>
COST OF REVENUE				
Products	8,364,323	-	-	8,364,323
Labor	3,210,409	-	-	3,210,409
Broker commissions on franchise sales	138,044	-	-	138,044
	<u>11,712,776</u>	<u>-</u>	<u>-</u>	<u>11,712,776</u>
GROSS PROFIT	11,953,564	-	-	11,953,564
GENERAL AND ADMINISTRATIVE EXPENSES	<u>7,351,555</u>	<u>72,228</u>	<u>-</u>	<u>7,423,783</u>
	<u>4,602,009</u>	<u>(72,228)</u>	<u>-</u>	<u>4,529,781</u>
OTHER INCOME (EXPENSE) FROM CONTINUING OPERATIONS				
Interest income	4,319	-	-	4,319
Settlement expense	(56,200)	-	-	(56,200)
Other income	9,834	-	-	9,834
Loss on sale of property and equipment	(5,739)	-	-	(5,739)
Loss on foreign currency exchange	(8,368)	-	-	(8,368)
Interest expense	(8,380)	(123)	-	(8,503)
Net equity losses of subsidiaries	(57,881)	-	57,881	-
	<u>(122,415)</u>	<u>(123)</u>	<u>57,881</u>	<u>(64,657)</u>
CONSOLIDATED NET INCOME (LOSS)	4,479,594	(72,351)	57,881	4,465,124
Less: Net (loss) attributable to non-controlling interest	<u>-</u>	<u>(14,470)</u>	<u>-</u>	<u>(14,470)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC	<u>\$ 4,479,594</u>	<u>\$ (57,881)</u>	<u>\$ 57,881</u>	<u>\$ 4,479,594</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE II – CONSOLIDATING STATEMENTS OF INCOME
YEAR ENDED DECEMBER 31, 2020

	International	EM Capital		
	Franchise, LLC	Services, LLC	Eliminations	Consolidated
REVENUE				
Franchise sales, net	\$ 1,211,125	\$ -	\$ -	\$ 1,211,125
Royalties and franchise fees	12,606,533	-	-	12,606,533
Product sales, net	10,358,485	-	-	10,358,485
	<u>24,176,143</u>	<u>-</u>	<u>-</u>	<u>24,176,143</u>
COST OF REVENUE				
Products	9,019,704	-	-	9,019,704
Labor	2,872,048	-	-	2,872,048
Broker commissions on franchise sales	245,178	-	-	245,178
	<u>12,136,930</u>	<u>-</u>	<u>-</u>	<u>12,136,930</u>
GROSS PROFIT	12,039,213	-	-	12,039,213
GENERAL AND ADMINISTRATIVE EXPENSES				
	<u>6,572,288</u>	<u>94,730</u>	<u>-</u>	<u>6,667,018</u>
	<u>5,466,925</u>	<u>(94,730)</u>	<u>-</u>	<u>5,372,195</u>
OTHER INCOME (EXPENSE)				
Interest income	10,835	-	-	10,835
Settlement income	82,062	-	-	82,062
Loss on sale of property and equipment	(2,146)	-	-	(2,146)
Loss on foreign currency exchange	(381)	-	-	(381)
Interest expense	(24,033)	(1,228)	-	(25,261)
Net equity earnings of subsidiaries	(76,767)	-	76,767	-
	<u>(10,430)</u>	<u>(1,228)</u>	<u>76,767</u>	<u>65,109</u>
CONSOLIDATED NET INCOME (LOSS)	5,456,495	(95,958)	76,767	5,437,304
Less: Net (loss) income attributable to non-controlling interest	<u>-</u>	<u>(19,191)</u>	<u>-</u>	<u>(19,191)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC	<u>\$ 5,456,495</u>	<u>\$ (76,767)</u>	<u>\$ 76,767</u>	<u>\$ 5,456,495</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE III – CONSOLIDATING STATEMENTS OF EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Enviro-Master International Franchise, LLC	EM Capital Services, LLC	Eliminations	Consolidated
As of the year ended December 31, 2019	\$ 313,164	\$ 143,306	\$ 9,511	\$ 465,981
Net income (loss)	5,456,495	(95,958)	76,767	5,437,304
Capital contributions	-	19,374	(19,374)	-
Distributions to members	<u>(4,132,287)</u>	<u>-</u>	<u>-</u>	<u>(4,132,287)</u>
As of the year ended December 31, 2020	1,637,372	66,722	66,904	1,770,998
Net income (loss)	4,479,594	(72,351)	57,881	4,465,124
Capital contributions	-	5,629	(5,629)	-
Distributions to members	<u>(3,954,098)</u>	<u>-</u>	<u>(119,156)</u>	<u>(4,073,254)</u>
As of the year ended December 31, 2021	<u>\$ 2,162,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,162,868</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE IV – CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

	Enviro-Master International Franchise, LLC	EM Capital Services, LLC	Eliminations	Consolidated
Net income (loss) from continuing operations	\$ 4,479,594	\$ (72,351)	\$ 57,881	\$ 4,465,124
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	207,787	67,521	-	275,308
Equity loss in subsidiaries	57,881	-	(57,881)	-
Loss on disposal of property and equipment	5,739	-	-	5,739
Bad debt recovery	(12,088)	-	-	(12,088)
Changes in operating assets and liabilities:				
Decrease in accounts receivable - franchisees	89,015	-	-	89,015
Decrease in inventory	68,204	-	-	68,204
Decrease in prepaid expenses and other current assets	20,677	-	-	20,677
Increase in other assets	(50)	-	-	(50)
Decrease in accounts payable - trade	(111,326)	-	-	(111,326)
Decrease in accounts payable - franchisees	(977,998)	-	-	(977,998)
Increase in deferred revenue	101,866	-	-	101,866
Decrease in accrued expenses	(35,166)	(1,710)	-	(36,876)
Total adjustments	(585,459)	65,811	(57,881)	(577,529)
Cash provided by (used in) operating activities	<u>3,894,135</u>	<u>(6,540)</u>	<u>-</u>	<u>3,887,595</u>
Cash flows from investing activities:				
Purchases of property and equipment	(100,766)	-	-	(100,766)
Contributions to LLC member interests	(5,629)	-	5,629	-
Net proceeds from notes receivable	83,312	-	-	83,312
Cash (used in) provided by investing activities	<u>(23,083)</u>	<u>-</u>	<u>5,629</u>	<u>(17,454)</u>
Cash flows from financing activities:				
Principal payments on capital lease obligations	(64,684)	-	-	(64,684)
Distributions/contributions to/from members	(4,073,254)	5,629	(5,629)	(4,073,254)
Cash (used in) provided by financing activities	<u>(4,137,938)</u>	<u>5,629</u>	<u>(5,629)</u>	<u>(4,137,938)</u>
NET DECREASE IN CASH	(266,886)	(911)	-	(267,797)
CASH AT BEGINNING OF YEAR	<u>4,144,203</u>	<u>911</u>	<u>-</u>	<u>4,145,114</u>
CASH AT END OF YEAR	<u>\$ 3,877,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,877,317</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE IV – CONSOLIDATING STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	Enviro-Master International Franchise, LLC	EM Capital Services, LLC	Eliminations	Consolidated
Net income (loss)	\$ 5,456,495	\$ (95,958)	\$ 76,767	\$ 5,437,304
Adjustments to reconcile net income (loss) to net cash provided by (used in) continuing operating activities:				
Depreciation and amortization	172,617	90,027	-	262,644
Equity loss from subsidiaries	76,767	-	(76,767)	-
Loss on disposal of property and equipment	2,146	-	-	2,146
Changes in operating assets and liabilities:				
Increase in accounts receivable - franchisees	(160,763)	-	-	(160,763)
Decrease in prepaid expenses and other current assets	89,230	-	-	89,230
Increase in inventory	(119,499)	-	-	(119,499)
(Increase) decrease in other assets	(2,652)	6,792	-	4,140
Increase in accounts payable - trade	180,285	-	-	180,285
Increase in accounts payable - franchisees	949,399	-	-	949,399
Increase in deferred revenue	21,276	-	-	21,276
Increase (decrease) in accrued expenses	186,313	(21,183)	-	165,130
Total adjustments	<u>1,395,119</u>	<u>75,636</u>	<u>(76,767)</u>	<u>1,393,988</u>
Cash provided by (used in) operating activities	<u>6,851,614</u>	<u>(20,322)</u>	<u>-</u>	<u>6,831,292</u>
Cash flows from investing activities:				
Purchases of property and equipment	(157,419)	-	-	(157,419)
Net proceeds (payments) from notes receivable	293,126	-	-	293,126
Contributions to LLC member interests	(19,374)	-	19,374	-
Cash (used in) provided by investing activities	<u>116,333</u>	<u>-</u>	<u>19,374</u>	<u>135,707</u>
Cash flows from financing activities:				
Principal payments on notes payable	(12,284)	-	-	(12,284)
Principal payments on notes payable - members	(160,565)	-	-	(160,565)
Principal payments on capital lease obligations	(44,416)	-	-	(44,416)
Distributions/contributions to/from members	(4,132,287)	19,374	(19,374)	(4,132,287)
Cash (used in) provided by financing activities	<u>(4,349,552)</u>	<u>19,374</u>	<u>(19,374)</u>	<u>(4,349,552)</u>
NET (DECREASE) INCREASE IN CASH	2,618,395	(948)	-	2,617,447
CASH AT BEGINNING OF YEAR	<u>1,525,808</u>	<u>1,859</u>	<u>-</u>	<u>1,527,667</u>
CASH AT END OF YEAR	<u>\$ 4,144,203</u>	<u>\$ 911</u>	<u>\$ -</u>	<u>\$ 4,145,114</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE V – CONSOLIDATING STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Enviro-Master International Franchise, LLC	EM Capital Services, LLC	Eliminations	Consolidated
Advertising and promotion	\$ 363,098	\$ -	\$ -	\$ 363,098
Awards	87,507	-	-	87,507
Bad debt recovery	(12,088)	-	-	(12,088)
Bank charges and credit card fees	884,159	-	-	884,159
Computer and technology expense	298,313	-	-	298,313
Contributions	7,097	-	-	7,097
Depreciation and amortization	207,787	67,521	-	275,308
Dues and subscriptions	76,241	-	-	76,241
Insurance	85,001	-	-	85,001
Other expenses	227,327	-	-	227,327
Office supplies	35,852	-	-	35,852
Payroll and payroll taxes	3,386,705	-	-	3,386,705
Postage expense	43,881	-	-	43,881
Professional services	711,210	4,707	-	715,917
Recruiting	75,104	-	-	75,104
Rent	211,154	-	-	211,154
Repairs and maintenance	7,844	-	-	7,844
Retirement plan match	88,898	-	-	88,898
Taxes and licenses - other	37,950	-	-	37,950
Telephone	29,306	-	-	29,306
Travel and entertainment	466,856	-	-	466,856
Training and continuing education	32,353	-	-	32,353
	<u>\$ 7,351,555</u>	<u>\$ 72,228</u>	<u>\$ -</u>	<u>\$ 7,423,783</u>

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC AND SUBSIDIARIES
SUPPLEMENTAL SCHEDULE V – CONSOLIDATING STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Enviro-Master International Franchise, LLC</u>	<u>EM Capital Services, LLC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Advertising and promotion	\$ 431,213	\$ -	\$ -	\$ 431,213
Awards	36,778	-	-	36,778
Bank charges and credit card fees	847,651	(5)	-	847,646
Computer and technology expense	261,333	-	-	261,333
Contributions	7,767	-	-	7,767
Depreciation and amortization	172,617	90,027	-	262,644
Dues and subscriptions	57,398	-	-	57,398
Insurance	82,682	-	-	82,682
Other expense	131,061	-	-	131,061
Office supplies	40,223	-	-	40,223
Payroll and payroll taxes	2,947,171	-	-	2,947,171
Postage expense	54,172	-	-	54,172
Professional services	563,349	4,708	-	568,057
Recruiting	114,729	-	-	114,729
Rent	228,216	-	-	228,216
Repairs and maintenance	6,952	-	-	6,952
Retirement plan match	79,835	-	-	79,835
Taxes and licenses - other	13,388	-	-	13,388
Telephone	32,586	-	-	32,586
Travel and entertainment	371,537	-	-	371,537
Training and continuing education	91,630	-	-	91,630
	<u>\$ 6,572,288</u>	<u>\$ 94,730</u>	<u>\$ -</u>	<u>\$ 6,667,018</u>

EXHIBIT F

FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

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ATTACHMENTS:

- A. Territory
- B. Minimum Annual Royalty Fees
- C. Electronic Funds Withdrawal Authorization
- D. Personal Guaranty
- E. General Release
- F. Employee Confidentiality and Non-Competition Agreement

**ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC
FRANCHISE AGREEMENT**

This Franchise Agreement is entered into as of _____ 20____ by

Parties

ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC (**“Franchisor”**)
5200 77 Center Drive
Suite 500
Charlotte N.C. 28217

and

(**“Franchisee”**)

Background

- A. As the result of expending time, skill, effort, and money, Franchisor has developed and owns a unique and distinctive system (**“System”**) for establishing and operating businesses that offer and sell products and services;
- B. The distinguishing features of the System include unique and specialized training, management, and marketing techniques and materials; procedures and methods of operation; uniform standards, specifications, and procedures for products and services; and advertising and promotional programs, all of which may be changed, improved, and further developed by Franchisor over time.
- C. Franchisor identifies the System by means of certain trade names, service marks, trademarks, and other indicia of origin, including the name and mark “ENVIRO-MASTER” and such other names, marks and indicia as Franchisor may now or hereafter designate in writing for use in connection with the System (**“Proprietary Marks”**).
- D. Franchisor continues to develop, use, and control the use of the Proprietary Marks to identify for the public the source of products and services marketed under the Proprietary Marks and to represent the high standards of quality associated with them.
- E. Franchisee desires to establish and operate a business in accordance with the System under the Proprietary Marks, and for that purpose wishes to obtain the right and license to do so from

Franchisor, and wishes to receive the training and other assistance provided in connection with the Franchise.

F. Franchisee understands and acknowledges the importance of Franchisor's uniform high standards of quality and service and the need for operating Franchisee's ENVIRO-MASTER FRANCHISE business strictly in accordance with Franchisor's standards and specifications.

NOW, THEREFORE, in consideration of the above premises and the parties' mutual commitments set forth in this Agreement, Franchisor and Franchisee hereby agree as follows:

Certain Defined Terms

- a. Amounts Due: See Section 3.3(a).
- b. Approved Software: See Section 13.11(b).
- c. Arbitrators: See Section 22.7..
- d. Business Location: See Section 1.3.
- e. Business Services: See Section 3.2(b).
- f. Confidential Information: See Section 6.1.
- g. Covenants Agreement: See Section 10.4.
- h. EFT: See Section 3.3(b).
- i. Event of Default: See Article 16.
- j. Franchise: See Section 1.1.
- k. Franchised Business: See Section 1.1.
- l. Franchisee: See Preamble.
- m. Franchisee's Debt: See Article 19.
- n. Franchisor: See Preamble.
- o. Gross Revenues: See Section 3.5.
- p. Hand-Held Device: See Section 13.11(a)
- q. Hazardous Substance: See Section 9.3(5).
- r. Indemnitees: See Section 9.3.
- s. Initial Term: See Section 2.1.

- t. Initiating Party: See Section 22.6(b).
- u. Losses and expenses: See Section 9.4.
- v. Management Fee: See Section 3.2(f).
- w. Manual (also called “Operations Manual”): See Section 7.1.
- x. Minimum Annual Royalties: See Attachment B.
- y. Local Advertising Fee : See Section 15.2(e).
- z. Minimum Sales Associate Requirement: See Section 12.7.
- aa. National Advertising Fee: See Section 3.2(c).
- bb. National or Regional Account: See Section 1.6.
- cc. Products: See Section 4.1(b)(1)
- dd. Proprietary Marks: See Background Paragraph C.
- ee. Purchased Assets: See Article 19.
- ff. Purchase Option: See Article 19.
- gg. Purchase Price: See Article 19.
- hh. Refurbishments: See Section 13.12.
- ii. Renewal Fee: See Section 2.3(f).
- jj. Renewal Term: See Section 2.2.
- kk. Repeated Inspection Fee: See Section 13.14.
- ll. Responding Party: See Section 22.6(b).
- mm. Royalty Fees: See Section 3.2(a)
- nn. Sales Commission: See Section 3.2(f).
- oo. Seller: See Section 11.3.
- pp. Service Fees: See Section 3.2(b).
- qq. Services: All services required by the Franchised Business or services to be performed by the Franchised Business, to the extent the context allows.
- rr. System: See Background Paragraphs A-B.
- ss. Termination Date: See Section 20.3.

- tt. Territory: See Section 1.1.
- uu. Transfer: See Section 11.1.
- vv. Accounting Period: One of thirteen 4-week periods per calendar year.

The above list is not all-inclusive. Other terms are defined in the text as well.

Basic Terms

1. GRANT OF FRANCHISE

1.1 Right and License. Franchisor grants to Franchisee the right and license (“**Franchise**”), and Franchisee undertakes the duty, to establish and operate a business providing restroom hygiene, drain line management, window cleaning, power washing, paper and chemical products and related services, to customers that include restaurants, including quick service and traditional establishments, hotels, schools, and other types of commercial establishments (“**Franchised Business**”) under the System and the Proprietary Marks for customers located in the territory described in **Attachment A** to this Agreement (“**Territory**”) for the term described in this Agreement, subject to Franchisee’s compliance with the terms and conditions of this Agreement.

1.2 Scope of Right and License. Franchisee has the right and obligation to establish and operate the Franchised Business in accordance with the terms of this Agreement, and agrees to use the Proprietary Marks and the System solely in connection with that business. Franchisee will offer and sell restroom hygiene, drain line management, window cleaning, power washing, paper and chemical products, and related products and services, to customers in the Territory as part of the System. Franchisee has the right to use the complete System, as it exists or may be supplemented or modified by Franchisor during the term of the Franchise. Franchisee acknowledges that the System will need to evolve to meet changing market conditions, meet consumer demands and ensure the operational efficiency of the Enviro-Master franchise businesses generally. Accordingly, Franchisee agrees that Franchisor may, on notice, supplement or modify the System in any matter that Franchisor determines to be in the best interest of the System. Such changes may include the implementation or modification of minimum performance requirements and the introduction of new or different Products or Services that are enhancements or complements of the System as currently configured. Franchisee agrees to promptly implement such changes at its expense in connection with the operation of the Franchised Business.

1.3 Location(s). Franchisee is required to lease office warehouse space within Franchisee’s Territory (the “**Business Location**”) and may not be moved outside the Territory except with Enviro-Master’s written consent.

1.4 Territorial Rights. As long as Franchisee remains in compliance with Franchisee's obligations under this Agreement that relate to the Franchised Business, including the performance requirements set forth in Section 1.5, Franchisor will not operate or grant a franchise for, or allow an affiliate to operate or grant a franchise for, an Enviro-Master Franchise Business under any name within the Territory, except as otherwise described in this Agreement. Franchisor reserves the right at all times to operate, and to grant franchises to others to operate, Enviro-Master franchise and other businesses under any names outside the Territory.

1.5 Territorial Restrictions.

(a) Franchisee will not offer or sell any Products or Services to any customers who are located outside the Territory without the express prior written permission of Franchisor, which Franchisor may grant or withhold in its sole discretion. If Franchisee receives unsolicited inquiries from customers outside the Territory, Franchisee will notify Franchisor of the same and comply with Franchisor's instructions to refer them either to Franchisor or directly to the Enviro-Master franchisee who is responsible for servicing customers in that area.

(b) Franchisor will at all times have the right to sell franchises for areas other than the Territory. If Franchisor sells a franchise for an area outside of Franchisee's Territory in which the Franchised Business is servicing any customer(s) with Franchisor's written consent, Franchisee will immediately comply with Franchisor's instructions for transferring the customer account(s) and all records of the account(s) to the new franchisee. Franchisee will have no right to receive compensation from Franchisor or any Enviro-Master franchisee for the transfer of any accounts for customers located outside of the Territory.

1.6 National and Regional Accounts. A customer that has multiple locations across the nation or a smaller geographic territory, and which has contracted with or otherwise authorized Franchisor or its franchisees to provide services across the customer's various locations is a "**National Account**" or "**Regional Account**" as applicable. There are two types of National or Regional Accounts: (i) a "corporate account", which is a company which can make decisions on all locations, and which signs a national or regional agreement with Franchisor or its affiliate allowing Franchisor (or its affiliates and franchisees) to service the corporate account's various locations; and (ii) a "hunting license" which is a company where Enviro-Master has been designated as an approved vendor with the ability of Franchisor (or its affiliates or franchisees) to approach the specific locations of that company with the endorsement of that company's corporate headquarters.

Franchisor or its affiliates may solicit and provide services to National or Regional Accounts which have locations in Franchisee's Territory. If Franchisor obtains a National or Regional account with a service location in the Territory, Franchisor will refer that service location's business to franchisee. Franchisee is obligated to accept any National or Regional Account's service location referred by Franchisor. Franchisee must service that location in

accordance with Franchisor's conditions, standards, procedures, policies and pricing for servicing that account, as provided by Franchisor in the Manual or otherwise.

1.7 Refusal to Accept National or Regional Account. If Franchisee refuses to accept a National Account or a Regional Account, or service it according to the conditions established by Franchisor, to protect the system and preserve the National or Regional Account, Franchisor may in addition to all other remedies set forth herein as a result of Franchisee's default for failing to comply with Section 1.6, service that account in the Territory and/or may license or appoint another person, business or Franchisee to service that account in the Territory, without any compensation to Franchisee. Franchisor doing so shall not excuse Franchisee from the breach of Section 1.6 above.

1.8 Product Distribution to National or Regional Account. Franchisor reserves the right to distribute products directly to National or Regional Accounts in Franchisee's Territory. If Franchisor distributes products directly to National or Regional Accounts within Franchisee's Territory, Franchisor will split the profit that it earns on the difference between what Franchisee would pay for the products from Franchisor and what the National or Regional Account pays for the products. Franchisor will split this profit with Franchisee on a 50/50 basis. For example, if Franchisee would be charged \$10 for a product by Franchisor, and Franchisor sells the same product to a National or Regional Account for \$12, then Franchisor would take \$1 of that profit and would distribute the other \$1 of that profit to Franchisee.

1.9 No Right to Sublicense or Delegate. Franchisee shall not grant sublicenses to other persons to use the Proprietary Marks or the System. Except as may be expressly approved in writing by Franchisor, Franchisee shall not delegate Franchisee's performance of any services comprising the Franchised Business except to employees of Franchisee acting under the direct supervision of Franchisee.

2. TERM AND RENEWAL

2.1 Initial Term. The initial term of the Franchise is 5 years ("**Initial Term**") starting on the date of execution of this Agreement by the last party hereto, unless the Franchise is terminated at an earlier date under Article 17.

2.2 Renewal Terms. Franchisee will have the right to renew the Franchise for an additional term of 10 years (the "**Renewal Term**") if Franchisee satisfies the renewal requirements in Sections 2.3.

2.3 Renewal Requirements. The following are conditions for renewal of the Franchise:

(a) **Notice.** Franchisee must notify Franchisor of Franchisee's intention to renew at least 180 days, but not more than 240 days, before the expiration of the Initial Term;

(b) **Compliance.** At all times during the expiring term and at the time of renewal, Franchisee must have complied in all material respects with the terms and conditions of this Agreement and all other agreements between Franchisee and Franchisor or any affiliates of Franchisor;

(c) **Training.** Franchisee and Franchisee's employees must successfully complete any training courses required by Franchisor to bring their training up to date;

(d) **Payments.** At all times during the Initial Term and at the time of renewal, Franchisee will have paid all amounts due to Franchisor and all affiliates of Franchisor on a timely basis;

(e) **General Release.** Franchisee must execute a General Release in the form attached hereto as **Attachment E**, releasing Franchisor and all affiliates of Franchisor from any claims Franchisee may have against them, whether known or unknown, by Franchisee regarding the Franchised Business or the franchise relationship;

(f) **Renewal Fee.** Franchisee must pay to Franchisor a renewal fee equal to 10% of the then-current Initial Franchise Fee (the "**Renewal Fee**"); and

(g) **Renewal Franchise Agreement.** For the Renewal Term, Franchisee must execute the then-current form of franchise agreement being offered by Franchisor at the time of renewal. Such then-current franchise agreement may contain terms and conditions that are substantially different from, or additional to, those in this Agreement, including without limitation, higher fees, including higher Minimum Annual Royalties, and different performance requirements; provided however that: (i) at the time of renewal, Franchisee will pay Franchisor a Renewal Fee in lieu of an additional Initial Franchise Fee; and (ii) the renewal franchise agreement will not increase the Royalty Fees, Service Fees or National Advertising Fee beyond what Franchisor is permitted to charge under this Franchise Agreement.

3. FEES

3.1 Initial Fees.

Initial Franchise Fee. On execution of this Agreement, Franchisee will pay to Franchisor, an Initial Franchise Fee of \$90,000.00. Franchisee acknowledges that, upon signing of this Agreement, Franchisor shall have fully earned the Initial Franchise Fee and it shall be non-refundable.

3.2 Continuing Fees and Commissions.

(a) **Royalty Fees.** During the term of the Franchise, Franchisee will pay weekly to Franchisor continuing royalty fees (“**Royalty Fees**”) equal to 6% of the Gross Revenue (as defined in Section 3.5) of the Franchised Business. In the event that the annual Royalty Fees paid to Franchisor are less than the Minimum Annual Royalties set forth in Attachment B hereto, then at the end of each calendar year, Franchisor will invoice Franchisee for the difference between the Minimum Annual Royalties and the actual Royalty Fees paid that calendar year, and Franchisee shall pay the same within 10 days of the date of the invoice. Franchisee understands that failure to meet the Minimum Annual Royalties for twelve (12) consecutive months is a basis for default in accordance with Section 16.2(t) of this Agreement.

(b) **Administrative and Business Service Fees.** As an integral part of the System, Franchisor will provide certain business services to Franchisee as defined in Section 4.3 (“**Business Services**”). Franchisee will pay to Franchisor continuing service fees (“**Service Fees**”) of 5% of Gross Revenue (as defined in Section 3.5) of the Franchised Business or \$125 per week, whichever is greater.

(c) **National Advertising Fee.** During the term of the Franchise, the franchisee will pay weekly to Franchisor a continuing national advertising and marketing fee (“**National Advertising Fee**”) equal to 2% of weekly Gross Revenue (as defined in Section 3.5) of the Franchised Business.

(d) **Sales Commission and Management Fees.** Franchisee will pay Franchisor a sales commission for any service location of a National or Regional Account that Franchisor refers to Franchisee (the “**Sales Commission**”). If Franchisee was already providing Products and Services to that service location before Franchisor secured the National or Regional Account, Franchisee will only pay a Sales Commission on those Products and Services that are a result of Franchisor’s referral and that are above and beyond those Products and Services that Franchisee was already providing. The Sales Commission shall be established in the Manual and may change from time to time. Currently the Sales Commission is 4%. The Sales Commission shall be paid for 12 months following the referral. After 12 months, the Sales Commission shall convert to a Management Fee to compensate Franchisor for its time managing the National and Regional Accounts (the “**Management Fee**”). The Management Fee shall be established in the Manual and may change from time to time. Currently the Management Fee is 3% of Gross Sales from National and Regional Accounts. The Management Fee will commence in the thirteenth month of the National or Regional account, and is based on all Gross Sales, regardless of whether Franchisee previously provided Products and Services to the location prior to Franchisor securing the National or Regional Account.

(e) **Additional Fees.** Franchisee may be subject to additional fees as provided in this Agreement if Franchisee purchases Product or Services not approved by Franchisor or purchases from vendors not approved by Franchisor.

Franchisor will have the right to change, discontinue or add to any or all of the Business Services, and to adjust the Service Fees, as provided in Section 4.3(b). Franchisor and Franchisee agree that Service Fees may be increased over the life of the Agreement as follows: If Franchisor incurs additional costs in providing services to its franchisees, the net direct cost of the increase will be billed to Franchisee on a monthly basis.

3.3 Payments.

(a) **When Due.** As part of the services Franchisor provides, Franchisor manages and collects Franchisee's accounts receivable. Each week, Franchisor will determine the amount of Royalties, Service Fees, National Advertising Fee and other amounts due ("**Amounts Due**") based on Franchisee's reports and on Franchisor's own information about Franchisee's Gross Revenues. Franchisor will provide an invoice to Franchisee showing Franchisor's calculations of the Amounts Due and the amount Franchisor deducted from Franchisee's collections in satisfaction of the Amounts Due. If Franchisee does not have sufficient collections in order for Franchisor to deduct the Amounts Due as shown on the invoice, Franchisor will debit Franchisee's bank account (as described in (b) below) to pay all Amounts Due.

(b) **Method of Payment.** Franchisor will have the right to receive payment of Franchisee's Amounts Due by electronic funds transfers ("**EFTs**") from Franchisee's bank account to Franchisor's bank account. Franchisee must provide Franchisor with Franchisee's bank's name, address and account number, and a voided check from the account. Franchisee must sign and provide all documents necessary for Franchisor to commence making electronic funds transfers, and for Franchisor to continue to do so throughout the Franchise term. Franchisee must make deposits to Franchisee's account as needed to make funds available for transfer to Franchisor, and may not close such account without Franchisor's prior written consent. Franchisor will debit Franchisee's account in accordance with **Attachment C** hereto in the event there are not enough funds in Franchisee's account to pay all monies due.

(c) **Adjustments.** If it is later determined that the amount Franchisor has transferred from Franchisee's account is less than the Amounts Due by this Agreement, Franchisee will pay the difference within ten (10) days after Franchisor gives notice of the Amounts Due. If it is determined that Franchisor has transferred more from Franchisee's account than the amount required by this Agreement, the difference shall be credited against Franchisee's future Royalties, Service Fees, National Advertising Fee and Minimum Local Marketing Expense contributions. In the event that an excess amount is paid to Franchisor, Franchisor shall have no other liability or obligation pertaining to the excess payment (other than to give such credit described above). Notwithstanding the above, any funds transferred by Franchisor which are more than the Amounts

Due by Agreement for the month in question and the following month as reasonably determined by Franchisor shall be returned by Franchisor to Franchisee by wire or EFT to Franchisee's bank account.

3.4 Late Payments. If any payments are received by Franchisor after the date due (other than solely on account of Franchisor failing to timely initiate the EFT) then, (a) Franchisee will pay to Franchisor, monthly and in addition to the Amounts Due, interest in the sum of 1.5% per month on the amount due or the highest rate allowable by law, whichever is higher, from the date due until paid; and (b) Franchisee shall be in default of this Agreement and Franchisor may exercise any and all remedies in Article 17 of this Agreement. Franchisor also reserves the right to terminate the Franchise as provided under Article 17 if Franchisee fails to pay any amounts when due, whether or not interest is paid.

3.5 Gross Revenues. As used in this Agreement, the term "Gross Revenues" means all revenues and income earned, received or accrued by, through, as a result of, and/or on behalf of the Franchised Business from any source, whether for cash, credit or barter. "Gross Revenues" also specifically includes, without limitation, fees charged to customers and referred to as "service fees," "cleanout fees," "installation fees," and "installation deposits." "Gross Revenues" do not include revenues not generated by the operations of the Franchised Business, such as real estate rental and investment income.

(a) **Sales Taxes Not Included.** "Gross Revenues" does not include sales taxes that Franchisee is required to collect and pay, and does pay, to any governmental agency.

(b) **Approved Deductions.** Franchisee may deduct from Gross Revenues any refunds, discounts, or allowances only if the amounts deducted were included in Gross Revenues and if Franchisee has complied with Franchisor's policies and procedures for reporting and taking such deductions. Under no circumstances may any amount be deducted unless such deduction is expressly disclosed in the statement or report affected by the deduction.

4. SERVICES BY FRANCHISOR

4.1 Before Opening. Franchisor will provide the following services before opening the Franchised Business:

(a) **Training.** Before opening, Franchisor will provide initial training of Franchisee and Franchisee's employees, at times and locations designated by Franchisor, including other franchisee locations as specified in Section 12.2;

(b) **Designated Vendors for Products; Information on Approved Products and Services.**

(1) In order to maintain uniformity of concept and quality under the System, all equipment, inventory, supplies, tools, forms, promotional materials and other products and materials (“**Products**”) required to be used or sold by Franchisee in providing restroom hygiene, drain line management, window cleaning, power washing, paper, chemical and other products and all Services, will be purchased from Franchisor (or its affiliates or designated vendors) in accordance with the terms and procedures set forth in the Manual. Franchisor will, to the extent feasible, provide information pertaining to sources from which proprietary and nonproprietary Products and Services which may be used under the System can be purchased. Franchisor agrees, however, that if Products are not or cannot be timely delivered and Franchisee has not been at fault or non-diligent in placing orders in a timely fashion, Franchisee can purchase the Products locally in such quantities necessary to fulfill immediate needs.

(2) Franchisor reserves the right to earn a profit on the sale of Products to Franchisee. The Franchisee agrees that it will not attempt to circumvent Franchisor by directly approaching or interfering with Franchisor’s relationship with approved vendors.

(c) **Initial Supply of Printed Materials.** Before opening, (but not upon renewal), Franchisor will provide an initial supply of forms and marketing materials, and standards and specifications for stationery and other printed materials required to be used in the Franchised Business;

(d) **Confidential Operations Manual.** Before opening, Franchisor will loan Franchisee a copy of the Enviro-Master Operations Manual and other manuals and training aids designated by Franchisor for use in the System, as they may be periodically revised by Franchisor, and as are further described in the provisions of Article 7; and

(e) **Opening Assistance.** Before opening, Franchisor will provide advice and guidance to Franchisee in preparing to open the Franchised Business, including standards and procedures for obtaining Products, training employees, advertising, promoting and operating the Franchised Business.

4.2 After Opening. After Franchisee opens the Franchised business, Franchisor will provide the following services:

(a) **On-Site Assistance.** On-site assistance on an as needed basis as determined by Franchisor after the execution of this Franchise Agreement;

(b) **Continuing Training.** Supplemental and refresher training, as determined necessary by Franchisor at times and locations designated by Franchisor, as specified in Section 12.3;

(c) **Updated Lists of Approved Products and Services, and of Designated Vendors.** Updated lists of Products (by brand name and/or by standards and specifications) Services, and designated vendors for approved Products; and

(d) **Advice and Guidance.** Periodic advice and guidance through meetings, printed materials and/or other media, as Franchisor makes available to all franchisees in the System.

4.3 Administrative and Business Services.

(a) In consideration of the payment of the Service Fee specified under Section 3.2(b), Franchisor will provide (either directly or through a third party vendor) to Franchisee, and Franchisee will use the Business Services which currently consist of the following:

- (1) collections service on delinquent accounts;
- (2) preparation of monthly statements of account for all charge accounts (i.e., net 30 days), including National and Regional Accounts;
- (3) centralized ordering of supplies;
- (4) management support and advice;
- (5) software and software support for the operation of the Franchised Business;
- (6) processing of customer credit card charges, and electronic payments; and
- (7) posting of charge customer payments.

(b) Franchisor does not guarantee that it will provide all of the above Business Services at all times during the Franchise term. Franchisor reserves the rights, in its sole judgment:

- (1) to discontinue any or all of the Business Services;
- (2) to substitute comparable service(s) for any of the Business Services;
- (3) to add other Business Services; and
- (4) to make technological changes.

Without limiting its rights reserved under Section 3.2(b), if Franchisor makes changes to the Business Services offered to all franchisees, Franchisor may reduce or increase the Service Fees

accordingly. Any increases will not be more than the additional net incremental direct cost to Franchisor for providing the additional services which benefit the franchisees.

4.4 Availability of Personnel. Franchisor's individualized assistance to Franchisee (whether in person or by telephone, fax or mail) is subject at all times to availability of Franchisor's personnel. Franchisor reserves the right to require Franchisee, as a condition of obtaining individualized, on-site assistance at any time after Franchisee opens for business, to pay the actual travel costs (transportation, lodging, and meals) incurred by Franchisor's employees or agents. Additionally, Franchisor reserves the right to charge a daily fee for on-site assistance, the amount of which is set forth in the Manual.

4.5 Additional Assistance and Training. Franchisor will not charge any additional fee for individualized assistance to Franchisee during Franchisee's first 30 days in operation; after that time, Franchisor reserves the right to charge a consulting fee for individualized assistance to Franchisee. Franchisor also reserves the right to charge reasonable fees for advanced training courses (not including the initial training course) and for training materials. Franchisor will notify Franchisee of any additional charges or fees before providing the services or materials to Franchisee. Franchisee is solely responsible for training Franchisee's personnel.

4.6 Sale of Products. Franchisor, its subsidiaries and affiliates, will provide Products that Franchisee will sell and/or use in the operation of the Franchised Business as provided in Section 4.1 (b) and (c) and in Article 14.

4.7 No Warranty. Franchisor does not warrant or guarantee that the training, services, software and goods provided for in this Article 4 will be provided without flaw or defect. Franchisor shall not be in breach of this Article on account of any such flaw or defect or combination of flaws or defects.

5. PROPRIETARY MARKS

5.1 Warranties of Franchisor. Franchisor warrants with respect to the Proprietary Marks that:

(a) Franchisor is the owner of the Proprietary Marks, and owns the exclusive right to use and license others to use the Proprietary Marks in accordance with the terms and conditions of this Agreement. Franchisor disclaims any warranty that other persons do not have or claim rights or interest in marks that may be similar or identical to one or more of Franchisor's Proprietary Marks;

(b) Franchisor will take actions reasonably necessary to preserve and protect the validity of the Proprietary Marks; and

(c) Franchisor will use and will permit Franchisee and other Enviro-Master franchisees to use the Proprietary Marks only in accordance with the System and the standards and specifications which underlie the goodwill associated with and symbolized by the Proprietary Marks.

5.2 Covenants of Franchisee. With respect to Franchisee's licensed use of the Proprietary Marks pursuant to this Agreement, Franchisee covenants that:

(a) Franchisee will use only the Proprietary Marks as are approved in writing by Franchisor for Franchisee's use, and will use them only in the manner authorized by Franchisor;

(b) Franchisee will use the Proprietary Marks only for the operation of the Franchised Business and only to sell goods and services expressly authorized in writing by Franchisor;

(c) Unless otherwise authorized or required by Franchisor, Franchisee will operate and advertise the Franchised Business under the name of "Enviro-Master Services" without prefix or suffix;

(d) Franchisee will not use the Proprietary Marks as part of Franchisee's corporate or other legal name. Franchisee will comply with Franchisor's instructions in filing and maintaining required trade name ("d/b/a") or fictitious name registrations. Franchisee agrees to execute, during or after the term of the Franchise, on Franchisor's request, any consents necessary for the registration of Franchisor's corporate name in the state where Franchisee conducts the Franchised Business;

(e) Franchisee will execute any documents deemed necessary by Franchisor or Franchisor's counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability;

(f) Franchisee will not directly or indirectly contest the validity or ownership of the Proprietary Marks; and

(g) If litigation involving the Proprietary Marks is instituted or threatened against Franchisee, Franchisee will promptly notify Franchisor and will cooperate fully with Franchisor in defending or settling such litigation. Franchisor will decide whether to defend or settle any trademark litigation. If Franchisor decides to take either action, it will do so at its expense, but Franchisee must cooperate with Franchisor. Franchisor will indemnify Franchisee and hold it harmless from and against any and all claims, liabilities, costs, damages, and reasonable expenses for which Franchisee is held liable in any proceeding arising of Franchisee's use of any of the Proprietary Marks (including settlement amounts negotiated by Franchisor or with its expressed consent), provided that the conduct of Franchisee and its principals with respect to such

proceeding and use of the Proprietary Marks is in full compliance with the terms of this Agreement and any requirements imposed by the Operations Manual. Franchisor will decide the actions to be taken against the use of any of the Proprietary Marks by any persons or legal entities other than Franchisor. Any actions that Franchisor takes will be at Franchisor's expense. Franchisor may require Franchisee to modify or discontinue the use of any of the Proprietary Marks, and to substitute different marks. If Franchisor exercises this right, it will provide advance notice to Franchisee.

5.3 Acknowledgments of Franchisee. Franchisee expressly acknowledges that:

(a) The Proprietary Marks are valid and serve to identify the System and those who are licensed or franchised under the System;

(b) Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use will constitute an infringement of Franchisor's rights and a breach of this Agreement;

(c) Franchisor is the owner of all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them;

(d) Franchisee's use of the Proprietary Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks or System, except the non-exclusive license granted herein;

(e) Franchisor retains all goodwill inherent in the Proprietary Marks or System and Franchisee shall make no claim thereto;

(f) The right and license of the Proprietary Marks granted to Franchisee under this Agreement is non-exclusive, and Franchisor, its subsidiaries and affiliates, subject to the terms of this Agreement (including Section 1.4) thus may:

(1) Grant other licenses and franchises for the Proprietary Marks, in addition to those licenses and franchises already granted;

(2) Use the Proprietary Marks in connection with marketing and selling any products and services as Franchisor sees fit; and

(3) Develop and establish other systems for the same or similar Proprietary Marks, or any other proprietary marks, and grant licenses or franchises for the use of other systems or marks, without any obligation to offer, sell or grant Franchisee any rights in those systems or marks.

5.4 Substitution of Marks. Franchisor reserves the right to modify or discontinue the use of any of the Proprietary Marks and to substitute different names or marks for use in identifying the System and the businesses operating thereunder. If Franchisor requires Franchisee to change its primary trade name, Franchisee will make such changes at its sole cost and expenses within 180 days of Franchisor's notice of the change.

5.5 Additional Intellectual Property. As between the parties, Franchisor shall exclusively own all rights to all intellectual property used in the Franchised Business, including any inventions, proprietary processes, slogans, marketing materials, and other inventions, designs, or creative works, whether developed by Franchisor, Franchisee or otherwise. Franchisee agrees to execute from time to time such documents as Franchisor may reasonably request to assign rights in such intellectual property to Franchisor, and Franchisee agrees to cause its employees and agents to execute such assignments as well.

6. CONFIDENTIAL INFORMATION

6.1 Definition of "Confidential Information." Confidential Information includes all information, data and techniques designated or treated by Franchisor as confidential, and all information, data and techniques embodied in the System, and all records and copies of such information, data and techniques, in any form. Without limiting the foregoing, Confidential Information also includes, without limiting the foregoing, customer lists of Franchisee and the Franchised Business and customer lists developed by Franchisor or any Enviro-Master franchisee. Franchisee acknowledges that aspects of the System that are known to the public or that may be reverse-engineered are nevertheless Confidential as integrated parts of the System.

6.2 Exclusions. Confidential Information does not include information which Franchisee shows was already known generally to the public at the time when it was disclosed by Franchisor to Franchisee, or which, after the time it was disclosed by Franchisor to Franchisee, validly and legally has become generally known to the public.

6.3 Confidential Treatment. Franchisee hereby agrees that:

(a) Franchisee will not at any time disclose, copy or use any Confidential Information except as specifically authorized in writing by Franchisor;

(b) Franchisee's obligation to maintain all Confidential Information as confidential applies both during and after the term of the Franchise;

(c) Franchisee will use Confidential Information only for Franchisee's operations under this Agreement and for no other purpose;

(d) Franchisee will disclose Confidential Information only to Franchisee's employees or contractual agents as follows, and not to anyone else:

(1) Franchisee may disclose Confidential Information to its employees and contractual agents on a "need to know" basis only. Franchisee may disclose Confidential Information only to individuals who need to know it in order to carry out their jobs. Franchisee may disclose only so much of the Confidential Information as each individual needs to know in order to carry out that individual's job; and

(2) Franchisee will inform Franchisee's employees and agents that the Confidential Information is confidential and that they may not disclose, copy or use it in any unauthorized manner.

(e) Franchisee will obtain and deliver to Franchisor signed confidentiality agreements from all of Franchisee's employees, current and future, and any agents of Franchisee who have or may have access to Confidential Information. The confidentiality agreements must be in a form substantially similar to the form attached hereto as Attachment F (the "**Confidentiality Agreement**"), and must provide that Franchisor is a third party beneficiary of, and has the independent right to enforce, the Confidentiality Agreement.

6.4 Developments. Franchisee agrees that all information, data, techniques and know-how developed or assembled by Franchisee or Franchisee's employees or agents during the term of the Franchise and relating to the System will be deemed a part of the Confidential Information protected under this Agreement.

7. CONFIDENTIAL OPERATIONS MANUAL

7.1 Manual. Franchisor will provide one copy of the Enviro-Master Manual to Franchisee, on loan, at or before the time when Franchisee begins initial training. As used in this Agreement, the term "Manual" also includes all other written, electronic, video, and audio recorded policies, procedures, techniques, memos, bulletins, newsletter, forms, guidelines, and other materials prepared by us in connection with the System or to assist you in the operation of your Franchised Business.

7.2 Standards of Operation. Franchisee will operate its Franchised Business strictly in accordance with the Manual as it may be revised by Franchisor.

7.3 Confidential. Franchisee will at all times treat the Manual and the information in it as Confidential Information, in accordance with the requirements of Article 6. Franchisee will not disclose, copy or use the Manual or the information in the Manual, except as specifically authorized by Franchisor.

7.4 Protection of the Manual. Franchisee will keep the Manual in a secure place at the Business Location at all times. The Manual remains the property of Franchisor and must be returned to Franchisor promptly on expiration or termination of the Franchise, or at any earlier time on Franchisor's request.

7.5 Revisions. Any revisions to the contents of the Manual will be deemed effective on issuance by Franchisor, unless otherwise specified by Franchisor. Revisions may be issued as inserts or replacements to the Manual, through physical or online updates, or may be in the form of informational communications from Franchisor's management. Revisions may be transmitted to Franchisee on paper by first class mail or courier, by facsimile or by electronic mail.

7.6 Master Copy. Franchisee will at all times ensure that Franchisee's copy of the Manual is kept current and up to date and readily available for reference by Franchisee. If there is any dispute about the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at its headquarters or electronically will apply.

8. ACCOUNTING AND RECORDKEEPING

8.1 Maintenance of Books and Records.

(a) During the term of the Franchise and for a period of 3 years thereafter, Franchisee will maintain full and accurate books, records, reconciled bank statements and accounts. Franchisee will also timely enter financial data into QuickBooks or another bookkeeping software designated by Franchisor, maintained on Franchisor's server and to which Franchisor has remote access. Franchisee must produce accurate financial statements and records of its Franchised Business operation to Franchisor in a regular and timely fashion, and at any other times that Franchisor requests.

(b) Franchisee will keep all of its books, records and accounts for at least 3 years after the date when they were prepared either on-site or at a Business Location acceptable to Franchisor.

(c) Franchisor may require that Franchisee purchase accounting and bookkeeping services from Franchisor's designated vendor.

(d) Franchisee must use Franchisor's approved vendor for accounting services. At this time, the only approved accounting service provider is Top 2 Bottom Business Solutions.

8.2 Sales Reports. Franchisee will submit to Franchisor, promptly on request, sales reports and current information about prices charged by Franchisee to its customers.

8.3 Automated Reporting and Payments. Franchisee will install and use such computer programs and equipment as Franchisor may designate for the operation of the Franchised

Business. Franchisee will maintain and timely transmit data and reports from its computer system as required by Franchisor in the Manual or otherwise in writing.

8.4 Annual Financial Statements. Within 90 days after the end of each fiscal year of Franchisee, Franchisee, at its expense, will submit to Franchisor a financial statement consisting of a profit-and-loss statement showing the results of operations of the Franchised Business during the previous fiscal year and a balance sheet as of the end of the fiscal year. Each financial statement will be accompanied by a sworn statement signed by Franchisee or by Franchisee's treasurer or chief financial officer attesting that the items contained therein are true and accurate and prepared on a basis consistent with that of prior periods, that they completely and fully describe and disclose the information sought in such statements, and that the signer has made diligent and careful efforts to ascertain the truth, accuracy and completeness of such information. Franchisor reserves the right to provide the form of sworn statement described in this paragraph to be signed by Franchisee or its treasurer or chief financial officer.

8.5 Other Reports and Data. Franchisee will also submit to Franchisor all other forms, reports, records, statements, information, and data as Franchisor may reasonably require, as reasonably specified by Franchisor in the Manual or otherwise in writing.

8.6 Use of Data. Franchisee agrees that all financial and business data submitted by Franchisee to Franchisor may be used as Franchisor deems appropriate. Franchisor agrees that information designated by Franchisee as confidential will not be disclosed to third parties in a manner that identifies Franchisee individually as the subject or source of the information except (i) with Franchisee's permission, (ii) as may be required by law, (iii) in connection with audits or collections under this Agreement, and (iv) in the preparation of Franchisor's Franchise Disclosure Document.

8.7 Examinations and Audits. Franchisor or its designated agents will have the right at all reasonable times, with or without prior notice, to examine and copy the books, records, and tax returns of Franchisee and the Franchised Business, including but not limited to performing a field brand audit, which is designed to determine your compliance with our brand standards, and is broader than a financial audit. Franchisee agrees that Franchisee shall cause any affiliates of Franchisee (including spouse, family trust, minor children, employees who are relatives of Franchisee or closely-held businesses in which Franchisee or any such person has an interest) to produce tax returns and bank records for audit by Franchisor, if request is made for such items. Any records provided for such examination or audit shall be used solely for purposes of establishing amounts due under this Agreement and shall not be disclosed or used by Franchisor for any other purpose.

(a) If an examination or audit should reveal that any Gross Revenues of the Franchised Business have been understated in any report to Franchisor, then Franchisee will pay

Franchisor the amounts due on such understated Gross Revenues immediately on demand, together with interest as provided in Section 3.4

(b) In addition, if an examination or audit reveals that Gross Revenues of Franchisee were understated by 2% or more during the period audited, Franchisee will also pay Franchisor for all costs and expenses in connection with the audit.

(c) Franchisor also reserves the rights set forth under Article 17 if Franchisee understates any Gross Revenues of the Franchised Business, whether or not the applicable fees are later paid.

8.8 Taxes, Licenses, Trade Accounts.

(a) Franchisee will comply with all applicable laws, rules, and regulations, and will obtain all permits, certificates, or licenses necessary to conduct the Franchised Business.

(b) Franchisee will promptly pay when due all taxes applicable to Franchisee and the Franchised Business, including but not limited to withholding, unemployment and sales and property taxes.

(c) Franchisee will pay to Franchisor or its affiliates (i) all sales taxes, corporate taxes, and any similar taxes paid by Franchisor on Franchisee's behalf, imposed on Franchisor, or required to be collected by Franchisor on account of products or services Franchisor furnishes to Franchisee (through sale, lease, or otherwise) or on account of Franchisor's collection of any fee related to this Agreement; (ii) all franchise or similar taxes, whether based on gross receipts, gross revenues, Royalty Fees, advertising contributions, or otherwise, imposed on, required to be collected by, or paid by Franchisor; (iii) all marketplace facilitator or similar taxes imposed on, required to be collected by, or paid by Franchisor in connection with Franchisee's use of Franchisor's website, internet sites, applications, or online ordering platforms; (iv) all other amounts Franchisor pays or must pay for Franchisee for any reason; and (v) any other fees or expenses that Franchisor is entitled to collect from Franchisee.

(d) Franchisee will promptly pay all trade accounts and other indebtedness of Franchisee and the Franchised Business subject to the requirements of Section 3.4.

(e) If Franchisee is engaged in a bona fide dispute with any taxing authority or creditor as to Franchisee's liability for taxes or other indebtedness, Franchisee may defer payment of the amount in dispute while contesting the validity of the claim, but Franchisee will not permit, under any circumstances, any sale, foreclosure or seizure of any assets of the Franchised Business by any creditor. Franchisee must notify Franchisor in writing of the dispute to request the deferment, and must provide information adequate for Franchisor to either grant or deny the deferment.

9. INSURANCE AND INDEMNIFICATION

9.1 Insurance Requirements. Before beginning any activities or operations under this Agreement, Franchisee will obtain all required insurance coverage. Franchisee will thereafter maintain all required insurance coverage throughout the term of the Franchise or any extension thereof, at Franchisee's sole cost and expense. Franchisor may require franchisee to use an insurance broker designated by Franchisor.

(a) Franchisee's insurance must be issued by a company specified by Franchisor which has an A.M. Best rating of A-:VII or better and is licensed to do business in Franchisee's state.

(b) Franchisee's insurance will provide coverage as specified by Franchisor in the Manual or otherwise in writing, and the Certificate of Insurance and policy will name Franchisor as an Additional Insured including (1) Workers Compensation & Employers Liability; (2) Automobile Liability Insurance (including Hired & Non-Owned Auto Liability); (3) Comprehensive General Liability Insurance, including products and completed operations and personal injury protection; (4) Umbrella Liability; (5) Property Insurance; (6) Employment Practices Liability Insurance; (7) Pollution Insurance Policy; and (8) other insurance coverage as required by applicable law in the greater of the amount set forth below or as required by the state/province in which the Franchised Business operates, all in forms satisfactory to Franchisor and in at least the following minimum amounts:

Commercial General Liability (Occurrence Form)

General Aggregate (other than Prod/Comp Ops Liability)	\$2,000,000
Products/Completed Operations Aggregate	\$2,000,000
Personal & Advertising Injury Liability	\$1,000,000
Each Occurrence	\$1,000,000

Commercial Automobile Liability

Combined Single Limit	\$1,000,000 each accident
Hired and Non-Owned Auto	\$1,000,000 each accident

Workers Compensation and Employer's Liability

Workers' Compensation	State Statutory Limits
Employer's Liability	
Bodily Injury by Accident	\$1,000,000 each accident
Bodily Injury by Disease	\$1,000,000 policy limit
Bodily Injury by Disease	\$1,000,000 each employee

Umbrella Liability (to overlay General Liability, Auto Liability and Employers Liability coverages)

Each Occurrence and Aggregate	\$1,000,000 (less than \$2mm revenue)
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Each Occurrence and Aggregate	\$2,000,000 (\$2mm - \$3mm revenue)
Each Occurrence and Aggregate	\$3,000,000 (\$3mm - \$4mm revenue)
Each Occurrence and Aggregate	\$4,000,000 (greater than \$4mm revenue)

Employment Practices Coverage

The minimum coverage amount of \$1,000,000, or such other amount that Franchisor designates from time to time.

Pollution Liability

Each Occurrence	\$500,000
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Property Insurance

The minimum coverage amount of \$25,000, or such other amount that Franchisor designates from time to time.

(c) Franchisee’s insurance will cover all indemnification obligations of Franchisee under Subsections 9.3(2), (4) and (5), to the extent that such insurance is readily available at reasonable and standard rates from a qualified insurer, as determined by Franchisor, in Franchisor’s sole discretion;

(d) Franchisee’s insurance will name all Indemnitees (defined in Section 9.3) as Additional Insured in accordance with Section 9.1;

(e) Franchisee’s insurance will provide by endorsement that Franchisor will be entitled to written notice at least 30 days before any change or cancellation of the policy can take effect;

(f) Franchisee will use its best efforts to obtain “occurrence based” liability coverage, rather than “claims made” liability coverage. Franchisor requires that Franchisee obtain “occurrence based” liability coverage; and

(g) Franchisor may change or increase any required coverages upon sixty (60) days’ notice to Franchisee.

9.2 Proof of Insurance. Franchisee will submit a certificate of insurance to Franchisor prior to attending initial training, at each annual renewal or change of Franchisee’s insurance policy, and at any time upon written request of Franchisor. Franchisee will also provide a copy of the complete policy upon request by Franchisor at any time during or after the term of the Franchised Business.

9.3 Indemnification. Franchisee will, at all times, indemnify and hold harmless, to the fullest extent permitted by law, Franchisor and its affiliates, successors and assigns and the

respective directors, officers, employees, agents and representatives of each (the “**Indemnitees**”) from all losses and expenses (defined in Section 9.4) incurred in connection with any action, claim, demand, or investigation (or any settlement thereof) which arises out of or is based on any of the following:

(1) Any actual or asserted violation by Franchisee of any law, regulation, order, or industry standard;

(2) Libel, slander or any other form of defamation by Franchisee;

(3) Any violation of any warranty, representation, covenant or obligation by Franchisee under this Agreement;

(4) Any act, error or omission of (a) Franchisee or (b) any of Franchisee’s agents, servants, employees, partners, affiliates or representatives, or (c) any person with whom Franchisee or any of them may have a business relationship if the Loss or Expense to Franchisor is related to the business relationship with Franchisee; or

(5) Any actual or alleged violation of any law governing health, safety or the environment or the discharge, release, generation, transportation, storage, treatment or disposal of any hazardous substance. For purposes of this Agreement, the term “hazardous substance” means any matter giving rise to liability under the Resources Conservation Recovery Act, 42 U.S.C. § 6901 *et seq.*, the Comprehensive Environment Response Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.*, the Clean Water Act, 33 U.S.C. § 1251 *et seq.*, or generally any contaminant, asbestos, oil, radioactive or other material, the removal of which is required or the maintenance of which is regulated or prohibited or penalized by any local, state or federal agency, or other government authority. This indemnity includes, without limitation, all reasonable costs incurred to remove any and all hazardous substances, and to remedy any actual or alleged violation and bring the Franchised Business and/or the Business Location(s) into compliance with all applicable local, state and federal environmental laws and regulations.

This indemnification is not applicable where Franchisee is operating in compliance with Franchisor’s written instructions.

9.4 “Losses and Expenses.” As used in this Article 9, the phrase “losses and expenses” will include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys’ fees, accountants’ fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to Franchisor’s reputation and goodwill; costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

9.5 Lack of Insurance Coverage.

(a) Franchisee's obligation to indemnify the Indemnitees applies even if Franchisee's insurance does not cover the claims.

(b) If Franchisee fails to maintain adequate insurance coverage, Franchisor may purchase insurance at Franchisee's expense, but Franchisor has no obligation to do so.

(c) The Indemnitees have no obligation to maintain insurance coverage of their own. If the Indemnitees choose to rely on their own insurance coverage for claims subject to indemnification by Franchisee, Franchisee will remain liable for all losses and expenses incurred by the Indemnitees or their insurance carriers. The Indemnitees will have no obligation to defend or mitigate any claims subject to indemnification by Franchisee.

9.6 Notice of Claims. Franchisee will notify Franchisor in writing within 15 days after Franchisee learns of any claim covered by this Article or any other claim or action that may adversely affect the operation or financial condition of the Franchised Business.

9.7 Defense or Settlement of Claims. If Franchisor is or may be named as a party in any action against Franchisee, Franchisor will have the right (but no obligation) to undertake the defense and/or settlement of the claims. Franchisor's undertaking will not diminish in any way Franchisee's obligation to indemnify Franchisor and other Indemnitees for all losses and expenses incurred by them. Franchisor may, after consultation with Franchisee and/or Franchisee's insurer, take reasonable remedial or corrective action that Franchisor deems appropriate, if Franchisor reasonably determines that it must act expediently to protect persons or property or the reputation or goodwill of Franchisor or the system.

10. OWNERSHIP REQUIREMENTS

10.1 Franchisee Corporate Entity. If Franchisee is (or later becomes) a corporate entity (whether a corporation, partnership, limited liability company, or otherwise), the following provisions apply:

(a) The activities of the corporate entity must be limited exclusively to operation of the Franchised Business and to sale of goods and services authorized by Franchisor. On reasonable request by Franchisor, Franchisee will disclose all activities being conducted by Franchisee through its corporate entity; and

(b) Franchisee will maintain stop-transfer instructions against the transfer on its records of any equity interests except in accordance with the provisions of Article 11. If a corporation or other corporate entity that issues equity certificates, such certificates issued must be clearly marked with the following legend:

The transfer of these securities is restricted by the terms and conditions of an Enviro-Master Services Franchise Agreement dated [the date hereof].

10.2 Ownership Information. Franchisee will maintain a current list of all shareholders and all partners and all other persons who own any beneficial interest in Franchisee's corporate entity or in this Agreement. Franchisee will furnish the list of owners and copies of any governing documents of the corporate entity to Franchisor promptly on request.

10.3 Personal Guaranties. Each person who, directly or indirectly (a) controls Franchisee or the Franchised Business or (b) holds or controls any ownership interest in Franchisee or in the Franchised Business shall abide by the terms and conditions of this Agreement. Contemporaneously with this Agreement and concurrent with each change of ownership, Franchisee shall disclose the identities, addresses and contact information of all such persons to Franchisor and shall cause each person controlling and/or holding greater than a 10% ownership share in Franchisee or in the Franchised Business to execute a Personal Guaranty in the form attached hereto as **Attachment D**.

10.4 Covenants of Franchisee's Owners, Officers and Employees. Upon signing this Agreement and annually upon the request of Franchisor, Franchisee will obtain and deliver executed covenants of confidentiality and non-competition from each individual who has or may have an ownership share in Franchisee or in the Franchised Business, or who as manager or supervisor receives or has access to training and other information under the System (the "**Covenants Agreement**"). The Covenants Agreement must be in a form satisfactory to Franchisor, and must provide that Franchisor is a third party beneficiary of, and has the independent right to enforce, the covenants.

10.5 Inconsistent Provisions. Franchisee's Articles and Bylaws (or comparable governing documents) will expressly provide in the event of any conflict or inconsistency between their provisions and this Agreement, the terms and conditions of this Agreement will prevail.

11. TRANSFER OF INTEREST

11.1 Prior Consent Required. Franchisor has granted this franchise to Franchisee based on the personal financial capacity, moral character, and business background of Franchisee (including each individual partner or shareholder of Franchisee). In this Agreement, the term "transfer" includes any sale, assignment, transfer, gift, pledge, mortgage, encumbrance or hypothecation, by Franchisee or by any other person with an ownership interest in Franchisee or the Franchised Business, of (i) any direct or indirect interest in this Agreement, the Franchised Business or Franchisee, or (ii) all or substantially all of the assets of the Franchised Business. Any transfer of interest without the prior consent of Franchisor will be void and will constitute a default for which Franchisor may terminate the Franchised Business.

11.2 Related Party Transfer. If Franchisee is an individual or partnership, Franchisee will be entitled to transfer Franchisee's entire interest in this Agreement to a corporation or limited liability company formed for convenience of ownership; provided, that the stock in the resulting entity must be owned by the same individual(s) in the same proportionate ownership share(s) as existed before the transfer. Franchisee will also be entitled to transfer its interest (a) to an immediate family member of Franchisee (if Franchisee is an individual) or (b) if Franchisee is a corporate entity, to Franchisee's existing principals in the same ownership percentage as the principals owned the corporate entity. A transfer under this Section 11.2 will be subject to a \$2,500 related party transfer fee, provided that Franchisee complies with the applicable requirements of Article 10 and Section 11.3 (except for the Franchise Agreement Transfer Fee). Such transfer of ownership under this Section 11.2 will not be valid unless an amendment or modification to this Franchise Agreement is signed by Franchisor and Franchisee and appended to the Agreement.

11.3 Non-Controlling Interest. Franchisor will not unreasonably withhold its consent to any proposed transfer of less than the entire interest in this Agreement, the Franchised Business or Franchisee, which (alone or together with other past or current transfers) would not result in a change in control of the Franchised Business or Franchisee, but Franchisor will have the right to require any or all of the following conditions to be met by the individual or entity disposing of such interest ("Seller") before consenting to any transfer:

(a) **Personal Qualifications.** The purchaser must meet Franchisor's standard qualifications for new franchisees, including financial capacity, moral character, and business background;

(b) **Compliance.** Franchisee must be in substantial compliance with all material terms and conditions of this Agreement, and all other agreements between Franchisee and Franchisor or any affiliates of Franchisor;

(c) **Payments.** As of the time of transfer, Franchisee must pay all amounts due to Franchisor and all affiliates of Franchisor;

(d) **Seller's and Purchaser's Obligations.** Seller must remain liable for all obligations under this Agreement (and under any personal guaranty) up to the date of transfer, and the purchaser must assume all obligations of Seller after the date of transfer. If Seller will no longer own an interest in this Agreement, the Franchised Business or Franchisee, Seller must agree to be bound by all applicable post-termination obligations as provided in Article 18;

(e) **General Release.** Seller and Franchisee must release Franchisor and all affiliates of Franchisor from any claims that Seller and Franchisee may have against them, whether known or unknown by Seller and Franchisee regarding the Franchisor/Franchisee relationship which has not been asserted at the time of transfer (a claim for defense or indemnity as a result of

a claim by a 3rd party is not a claim regarding the Franchisor/Franchisee relationship and is not released under any circumstances); and

(f) **Franchise Agreement Transfer Fee.** The transferor or the transferee must pay to Franchisor a Transfer Fee in the amount of \$20,000 for the addition of a minority interest owner under this Section 11.3.

11.4 Controlling Interest. Franchisor will not unreasonably withhold its consent to any proposed transfer before consenting to any transfer which (alone or together with other past or current transfers) would result in a change in the control of Franchisee or the Franchised Business. However, Franchisor may require the following conditions to be met in addition to the conditions under Section 11.3:

(a) **Training.** The transferee and all employees must successfully complete any training courses required by Franchisor to bring their training up to date;

(b) **Franchise Agreement Resale Fee.** If a transfer is for the purpose of effecting the Franchised Business' resale or change in control thereof to a third party, the transferor or transferee shall execute a new Franchise Agreement for a five year initial term and pay a Resale Fee of \$50,000; and

(c) **Transferee's Franchise Agreement.** The transferee must execute Franchisor's then existing Franchise Agreement at the time of transfer.

11.5 Remarketing by Franchisor. Franchisor will have no obligation to assist Franchisee in identifying prospective buyers or negotiating the sale of Franchisee's business. If Franchisee requests and Franchisor is willing to do so, Franchisor may require Franchisee to pay a commission and/or agree to other terms and conditions under which Franchisor would agree to remarket the franchise.

11.6 Death or Incapacity of Franchisee. If Franchisee or any individual who is actively involved in the management of the Franchised Business dies or becomes incapacitated, the heir(s) or representative(s) of that person must notify Franchisor within 30 days.

(a) **Continuous Operation.** The Franchised Business must remain continuously in operation unless Franchisor grants written permission to close temporarily. The Franchised Business may continue to operate under management acceptable to Franchisor and in compliance with the terms and conditions of this Agreement.

(b) **Reasonable Time to Transfer.** The heirs or representative will have a reasonable time to transfer that person's interest to a qualified transferee.

(c) **No Transfer Fee to Qualified Heirs.** The transfer will be subject to the conditions in Section 11.3 (and Section 11.4 if applicable), except that Franchisor will not charge any transfer fee if the Franchise is transferred to the deceased person's qualified heirs or beneficiaries.

(d) **Franchisor's Right to Terminate.** If the interest is not disposed of by transfer to an acceptable transferee within 12 months, Franchisor may, at its option, terminate the Franchised Business upon 30 days' notice.

11.7 Franchisor's Right of First Refusal. If Franchisee intends to offer the Franchised Business for sale or transfer any of the Franchisee's ownership interests in or assets of the Franchised Business, Franchisee will notify Franchisor in writing of that intention and the price and terms that Franchisee will accept. Should Franchisee subsequently solicit offers for the Franchised Business, it shall provide any written bona-fide third party offer to Franchisor. This provision shall not apply to a sale or transfer to a husband, wife, mother, father, son, daughter, brother or sister of Franchisee who agrees to assume all obligations of the transferor under this Agreement.

(a) **Thirty (30) Days to Exercise Right of First Refusal.** Franchisor will have the right, exercisable within thirty (30) days after receipt of such written notice, to send written notice to the Franchisee that it intends to purchase the Franchised Business for the price and on the terms acceptable, or the price and terms offered in writing from a bona fide third party, whichever applies ("**Right of First Refusal**"). If Franchisor exercises its Right of First Refusal, Franchisor will be required to close the purchase within thirty (30) days after provision of written notice of intent to purchase, unless extended in writing and signed by both parties.

(b) **Financial and Business Information.** To enable Franchisor to determine whether it will exercise its Right of First Refusal, Franchisee and the seller will provide such information and documentation, including financial statements, as Franchisor may require, promptly on Franchisor's request.

(c) **Consent to Transfer Required.** If Franchisor does not exercise its Right of First Refusal as provided hereunder, Franchisee may for a 6-month period market and sell the interest, subject to Franchisor's consent as otherwise required under this Article 11, at any price and terms not more favorable to the buyer than those contained in the notice to Franchisor.

(d) **Changes in Offer.** If Franchisee will accept better price and terms offered by a 3rd party than those in the notice to Franchisor, Franchisee will give a new notice to Franchisor, who will have 15 days to exercise its Right of First Refusal on the same terms and conditions as offered by the 3rd party.

11.8 Partition of Territory. Franchisee will have no right to partition the Territory without the express prior written consent of Franchisor, which Franchisor may grant or withhold in its sole discretion.

11.9 Franchisor's Successors and Assigns. This Agreement will inure to the benefit of Franchisor, its successors and assigns. Franchisor will have the right to transfer and assign all or any part of its interest in this Agreement (including its Right of First Refusal under Section 11.7 and its right to substitute different Proprietary Marks under Section 5.4) to any person or legal entity.

12. TRAINING, MANAGEMENT, PERSONNEL AND MEETINGS

12.1 Full Time and Best Efforts. Except as Franchisor may otherwise expressly permit in writing, Franchisee (or a designated manager who has been trained by, and is acceptable to, Franchisor) will devote full time, energy, and best efforts to the management and operation of the Franchised Business. Either Franchisee or Franchisee's designated manager must live within 30 miles of the Territory at all times during the term of the franchise.

12.2 Initial Training. Before opening for business, Franchisee and Franchisee's designated manager, if any, will attend and complete, to Franchisor's satisfaction, the initial training offered by Franchisor. Franchisor may require any other principal or employee of Franchisee who is (or later becomes) actively involved in the management of the Franchised Business to attend and satisfactorily complete all initial training as Franchisor may require. Franchisor may elect to make any portion of the initial training to be virtual by way of internet video or audio link.

12.3 Supplemental and Refresher Training. Franchisee will, and will cause its designated manager and other employees to, attend and satisfactorily complete all mandatory supplemental and refresher training, as Franchisor may require. In its discretion, Franchisor may require Franchisee, its manager and/or other employees to complete such training to Franchisor's satisfaction, regarding Enviro-Master Products and Services, and any other Products or Services authorized or required by Franchisor under the System, before Franchisee may offer or sell those Products or Services.

12.4 Substitute Trainees. If Franchisee or any of its employees is unable to complete any required training to Franchisor's satisfaction, Franchisee may designate a substitute trainee acceptable to Franchisor. Franchisor will have no obligation to accept any person's prior experience or training received from other sources as a substitute for compliance with Franchisor's training requirements.

12.5 Training Costs and Expenses.

(a) Franchisee or its employees will be responsible for all personal expenses incurred by them in connection with training, including but not limited to transportation, lodging and meal expenses, and wages and employee benefits. Franchisee must pay a fee (currently \$2,500 per person) if Franchisee elects to bring more than two (2) trainees to training.

(b) Franchisor may require Franchisee to make reservations for Franchisee or its employees in advance of attending any training. Franchisor may charge a deposit in connection with such reservations (which may be refunded or applied toward any training fee on attendance), and may charge a cancellation fee if any reservation is cancelled.

(c) Franchisor reserves the right to charge reasonable fees for training materials in connection with training other than initial management training. Franchisor will notify Franchisee of any fees for materials before Franchisee enrolls in training.

12.6 Management and Employees. Franchisee will ensure that the Franchised Business is at all times under the management and supervision of a trained designated manager acceptable to Franchisor, and will hire and maintain a competent, conscientious, trained staff. Franchisee will ensure that its employees comply with all requirements under the System, including any standards for dress and appearance. Franchisee will ensure that its employees maintain good customer relations and follow the policies and procedures of the System. Franchisee is responsible for its own personnel policies, hiring and firing of its employees, compliance with labor and employment laws, and all other employee matters.

12.7 Market Development. Franchisee will develop its Territory by executing Franchisor's growth strategies, including without limitation, the Retain-Grow-Gain strategy. Franchisee will employ and maintain the number of full-time sales associates as determined necessary by Franchisor in its sole discretion. Currently, Franchisor requires a minimum of one full-time sales associate for each 12,500 businesses or fraction thereof within the Territory (the "**Minimum Sales Associate Requirement**"). Franchisor may adjust and redefine the Minimum Sales Associate Requirement at any time and from time to time in its sole discretion. Franchisee will be required to hire its first full-time sales associate prior to opening for business. After: (i) opening for business; or (ii) receipt of written notice that Franchisor has increased its Minimum Sales Associate Requirement, Franchisee must then add an additional sales associate every 6 months until the Minimum Sales Associate Requirement is met. If a sales associate of Franchisee is fired, dies, voluntarily, resigns or otherwise terminates his employment or association with Franchisee for any reason, Franchisee will have sixty (60) days to meet the Minimum Sales Associate Requirement.

Franchisee (or its owner if Franchisee is an entity) may be included as one of the required sales associates provided Franchisee is selling a minimum of \$100 per week in new service revenue

on average for any audited 8-week period or any other such minimum threshold that Franchisor sets forth in its Manual.

If this Agreement is signed due to the purchase of an existing Enviro-Master franchise, Franchisee will be required to hire their initial sales associate prior to taking over the business provided that the current franchisee does not have the required number of sales associates. Franchisee must then add one sales associate every six months thereafter until the requirement is met.

12.8 Regional and National Meetings. Franchisee and Franchisee's designated Operations Manager, and all sales personnel will attend all regional and national meetings scheduled by Franchisor for the benefit of the Enviro-Master Franchise System. Franchisor may require, in its sole discretion, that any or all of Franchisee's managers and employees attend Regional and National Meetings. Currently, Franchisor charges a reasonable attendance fee per attendee for the Regional and National Conferences to cover any and all costs associated with hosting such meetings. Franchisee and its employees will be responsible for all personal expenses incurred by them in connection with such meetings, including but not limited to transportation, lodging and meal expenses, and wages and employee benefits. Should Franchisee fail to have all required individuals attend any National or Regional Meeting, Franchisee must;

- (a) Pay Franchisor \$3,000 per person who has failed to attend the meeting; and
- (b) Reimburse Franchisor for the full cost of sending training personnel to train Franchisee's staff, including the cost of the trainer's time plus all travel, lodging and meal expenses incurred by the trainer(s).

This provision is in addition to Franchisor's rights and remedies under Article 17.

12.9 Inside Sales Department. Franchisee must utilize Franchisor's internal employees who assist franchisees in identifying potential new clients and setting sales calls (the "Inside Sales Department") for Franchisee and/or Franchisee's sales associates for the first 90 days that Franchisee is in business. Currently, the cost to utilize the Inside Sales Department is \$380 per week or \$4,560 for your first three months.

12.10 Sales Training Program. If Franchisee elects to participate in a sales training program for Franchisee's Sales Associates(s), Franchisee must use Franchisor's preferred vendor, Learn.Practice.Do, or another vendor approved by Franchisor. If Franchisee uses Learn.Practice.Do, Franchisor will withdraw fees from Franchisee's account on behalf of Learn.Practice.Do and remit payment on Franchisee's behalf to Learn.Practice.Do. Currently, Learn.Practice.Do charges \$750 per four-week period, per Sales Associate.

13. OPERATIONS

13.1 Compliance with System. Franchisee will operate the Franchised Business in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, and with required Products and Services, as set forth in this Agreement, in the Manual or in writing by Franchisor.

13.2 Changes to System. Franchisee understands and acknowledges that businesses change and evolve from time to time for a variety of reasons, including without limitation efforts to improve the business and in anticipation of and response to changes in market conditions. Franchisor may make additions to, deletions from, and modifications to the System and Manual at any time and from time to time in Franchisor's sole and absolute discretion, including without limitation, additions, deletions and modifications to the required Products and Services, the Marks, programs, policies, standards for operating the Franchised Business, the Manual, computer systems, equipment, and trade dress. Any or all of these changes may require Franchisee to incur additional expenses in their implementation. Franchisee agrees to immediately implement all such additions, deletions and modifications to the System and Manual as set forth by Franchisor and to pay all costs and expenses associated with such implementation.

13.3 Opening for Business.

(a) **When Due.** Within 90 days after execution of this Agreement, Franchisee must secure and open its Business Location at the location acceptable to Franchisor. The Business Location must meet Franchisor's criteria as set forth in the Manual, including without limitation, criteria for location and appearance. The inside of the Business Location must be at least 2,500 square feet and have both designated warehouse space for storage of equipment and Products, and designated office space for meetings and performance of other office functions. Franchisee will build out and furnish the Business Location in accordance with Franchisor's specifications and trade dress as set forth in the Manual, including paint, furniture, technician lockers and other required fixtures.

(b) **Lease.** Franchisor may require Franchisee to obtain a written agreement from the lessor of the Business Location including any or all of the following terms:

Franchisor must have the right (but not the obligation) to assume the lease if the lease or the Franchisee is terminated because of a default by Franchisee, and the right to assign the lease to any person who meets Franchisor's qualifications for a new franchisee. Regardless of any right of Franchisor to assume and/or assign the lease, Franchisee will remain responsible for the performance of all of its obligations under its lease.

13.4 Required Vehicle. Franchisee is required to buy or lease a new truck or van that meets Franchisor's standards for the operation of the Franchised Business. Franchisee must outfit

the required vehicle with all equipment, logo packages and other items, all as specified in our Manual or other written materials. Franchisor reserves the right to modify the standards and specifications for the required vehicle from time to time at its discretion.

13.5 Maintenance; Refurbishment. At all times, Franchisee will maintain the vehicles used in connection with the Franchised Business in good, clean, attractive and safe condition. Franchisee will, at its expense, undertake all maintenance and make all repairs, replacements, alterations, and additions as may be required for that purpose. Franchisee must replace its required vehicle at least once every five years with a new vehicle.

13.6 Hours of Operation. Franchisee will maintain the minimum hours and days of operation as specified in the Manual, unless Franchisor expressly permits otherwise in writing.

13.7 Authorized Products and Services. Franchisee will offer and sell all Products and Services required by Franchisor to be sold under the System. Franchisee will not offer or sell any other Products or Services of any kind or character without the express prior written consent of Franchisor. Franchisee will discontinue offering any Products or Services (whether or not they were previously authorized by Franchisor) promptly upon notice from Franchisor.

13.8 Business Forms. In offering and selling Services and Products to customers, Franchisee will use only the standard forms approved by Franchisor and no other forms or documents except with the express prior written permission of Franchisor.

13.9 Relations with Customers and the Public. Franchisee will not engage or cooperate in any conduct that:

- (a) reflects unfavorably on the reputation of Franchisee, Franchisor, the Franchised Business or the System;
- (b) impairs the goodwill associated with the Proprietary Marks;
- (c) might constitute a deceptive or unfair trade practice or otherwise violate applicable law or regulations; or
- (d) interferes, or may interfere, in the contractual rights of other Enviro-Master franchisees or Franchisor.

13.10 Individual Variances. Franchisee hereby acknowledges that complete and detailed uniformity among Enviro-Master franchise businesses under varying conditions may be inadvisable, impractical or impossible. Therefore, Franchisee agrees that Franchisor, at its sole discretion, may modify or vary aspects of the System with respect to any franchisee or group of franchisees based on such factors as local conditions, sales potential, demographics, competition, or any other conditions or circumstances that Franchisor deems a reasonable basis for such

variances. Franchisee further agrees that Franchisor will have no obligation to disclose or offer the same or similar variances to Franchisee.

13.11 Computer Requirements. Franchisee acknowledges that it may be necessary to use computer equipment for the efficient operation of the Franchised Business, and that such necessity is likely to change during the term of the Franchise according to the circumstances of the Franchised Business and the System. Franchisor and Franchisee therefore agree that:

(a) Hardware. Franchisee must have or obtain a personal computer. In addition, Franchisee must acquire a hand-held computer device for employees working outside the office (the “**Hand-Held Device**”). Franchisor will provide Franchisee with specifications for the Hand-Held Device in the Manual and/or materials. Franchisee may obtain the hardware from any vendor Franchisee chooses at Franchisee’s expense. Franchisor may require Franchisee to update Franchisee’s hardware. There are no limits on the cost or frequency of this obligation. Franchisor will have independent access to all information stored on the hand-held device.

(b) Software. Franchisor will provide Franchisee with specifications for required computer software for Franchisee’s personal computer in the Manual and/or materials. Franchisee must update Franchisee’s operating software as Franchisor directs, and there are no contractual limitations on the frequency of this obligation. Franchisee must also obtain Internet access at Franchisee’s expense for business communications. In addition, Franchisee must utilize certain particular approved computer software particularly related to the Franchised Business (the “**Approved Software**”). The Approved Software will allow Franchisee to schedule service to customers, change route assignments for each employee, access accounts receivable and aging of accounts receivable, and to perform other functions. Franchisee may not substitute any other software for these functions. Franchisor will purchase the Approved Software from a third party vendor and provide it to Franchisee. The cost of the Approved Software and any updates is included in the Service Fees Franchisee pays Franchisor. Franchisor may supplement, substitute, discontinue or modify the Approved Software and its conditions for Franchisee on reasonable notice to Franchisee.

(c) Except as described above, Franchisor will not guarantee, warrant, maintain or support any computer system. Franchisor may require Franchisee to agree to maintenance or support contracts. Because Franchisor does not know when other computer requirements and updates may become necessary, Franchisor cannot estimate the cost at this time. Franchisee understands and acknowledges that: (a) it will have to maintain and update its computer hardware and software from time to time, at Franchisor’s direction; (b) that the cost of doing so is Franchisee’s responsibility; and (c) such costs are difficult to estimate.

(d) Franchisor may add to, remove, substitute, or modify computer requirements in its discretion, and Franchisee will comply with such changes at its own expense. Franchisor will provide Franchisee with standards and specifications for required computer

products, instructions for use, and updates of the same in the Manual. Franchisor may require Franchisee to obtain Internet access for computer communications, and obtain maintenance and/or service contracts at Franchisee's expense. Franchisee will obtain only approved computer Products from designated vendors (as provided in Article 14), except that Franchisee may obtain computer hardware from any vendor it chooses. Franchisor may provide its own proprietary software to Franchisee.

13.12 Business Premises Refurbishment.

In addition to all your other obligations in the Franchise Agreement and Operations Manual related to repairing and maintaining the Business Location, at our request, but not more often than once every 5 years, unless sooner required by your lease, you must refurbish the Business Location at your expense, to conform to the business, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for new Enviro-Master businesses (“**Refurbishments**”). Refurbishments may include structural changes, installation of new equipment and signs, remodeling, redecoration and modifications to existing improvements. We are unable to estimate your costs for future Refurbishments which will vary from business to business based on a number of factors like: (i) the market where your Franchise Business is located; (ii) the size of your Franchised Business; (iii) when your Franchised Business was last refurbished, if applicable; (iv) the amount of System changes since the last Refurbishment; and (v) the overall condition of your Franchised Business site and equipment.

13.13 Temporary Management.

(a) **Right to Appoint Manager.** If at any time Franchisor reasonably determines that Franchisee is in default under this Agreement, or that default is imminent, Franchisor will have the right (but no obligation) to appoint a temporary manager for the Franchised Business. The temporary manager may be an employee of Franchisor or an independent contractor.

(b) **Income and Expenses.** All income received from the temporary operation of the Franchised Business while it is under temporary management will be deposited in a separate account, from which expenses will be drawn. While the Franchised Business is under temporary management, Franchisor may draw directly from such separate account a management fee up to 30% of the monthly Gross Revenues of the Franchised Business, in addition to Royalty Fees, Service Fees, National Advertising Fees and other debts and obligations of Franchisee to Franchisor and its affiliates.

(c) **No Fiduciary Obligation.** If Franchisor elects to appoint a temporary manager, Franchisor will have the right to discontinue the arrangement at any time, without prior notice. Franchisor will have no fiduciary obligation to Franchisee or the Franchised Business and, while the temporary management arrangement is in effect, will be obligated to exercise reasonable

efforts only. Franchisor will at all times retain all of its rights under this Agreement, including the right to terminate the Franchise in accordance with Article 17.

(d) **Liability for Debts.** Franchisor will not be liable for any debts, losses or obligations of the Franchisee or the Franchised Business, whether incurred before, during or after the period of temporary management. If the income of the Franchised Business while under temporary management is insufficient to cover expenses, Franchisor will notify Franchisee (or Franchisee's executor, administrator or personal representative). Franchisee will be responsible for providing and maintaining a sufficient balance of funds for the operation of the Franchised Business.

13.14 Inspections. Franchisor or any of its authorized agents or representatives may, without notice, inspect the Franchised Business, during normal business hours to determine whether it is in compliance with this Agreement and with the System. Franchisor's right to inspect the Franchised Business includes, but is not limited to:

(a) the right to inspect interior and exterior of Franchisee's vans or other vehicles used in operating the Franchised Business; the right to inspect the interior and exterior of the Business Location;

(b) the right to observe and shadow Franchisee's meetings with current and prospective customers;

(c) the right to observe and shadow Franchisee's service appointments; and

(d) the right to inspect Franchisee's books and records as set forth in Section 8.7 hereof.

Franchisee agrees to cooperate with Franchisor in facilitating Franchisor's inspections. If Franchisee fails to correct any deficiencies discovered in an inspection, Franchisor may make the corrections at Franchisee's expense and charge Franchisee a Repeated Inspection Fee (as defined below). If Franchisee fails an inspection and Franchisor or its representatives return to inspect Franchisee to confirm Franchisee has remedied the deficiency, Franchisee must pay Franchisor the cost of the inspection, including the travel and living expenses of Franchisor's representatives (the "**Repeated Inspection Fee**"). Currently, Franchisor estimates the cost of inspection for its representatives to be \$500 per person, per day.

14. APPROVED PRODUCTS AND SERVICES, AND DESIGNATED VENDORS

14.1 Minimum Inventory. Franchisee will maintain at all times the minimum stock levels of inventory and supplies specified by Franchisor in writing in the Manual or otherwise.

14.2 Designated Vendors. Franchisor will periodically designate, through the Manual or other written notice, equipment, inventory, supplies, tools, forms, promotional materials, and other Products and Services that must be purchased from approved suppliers, which shall include Franchisor, and will notify its franchisees of the approved supplier for each product. Franchisee will purchase or lease all such required Products and Services only from approved suppliers. Franchisee acknowledges that from time to time it will be necessary to introduce new Products or Services. Franchisee acknowledges and agrees that Franchisee will begin offering the new Products and Services within a period of 90 days from their introduction by Franchisor.

As of the date of this Franchise Agreement, we are the only approved supplier for all products and supplies utilized in your Franchised Business (other than office supplies and the power washer), such as paper products, restroom hygiene chemicals and drain line management products. The power washer is supplied by our approved supplier. Franchisee acknowledges that there is a benefit to the System in maintaining standardization in both function and appearance. Accordingly, although alternate products or services may be functionally the same or similar as authorized Products or Services, there may be differences in reliability and differences in appearance. Differences in appearance may diminish the value of the System by creating the appearance of inconsistency and uncertain standards. Additionally, Franchisee acknowledges that Royalties paid by Franchisee are lower than they would otherwise be if Franchisor did not have revenue from Franchisee's purchase of Products. Franchisee agrees not to directly or indirectly purchase Products or Services from unapproved suppliers, except in emergency circumstances and with Franchisor's prior written consent.

Franchisor may provide the Products or Services, or it may enter into agreements with approved suppliers for such Products or Services. Franchisor may enter into agreements with approved suppliers, pursuant to which Franchisor is compensated or reimbursed in connection with such approval. Franchisor may discontinue providing any Product or Service to Franchisee by giving Franchisee 30 days' written notice. Franchisor may periodically change the Business Services that it provides and the fees that Franchisee must pay for the Business Services. If Franchisor changes the Business Services, or incurs reduced or increased costs in providing Business Services, Franchisor may reduce or increase the service fees based on costs saved, or additional costs incurred. If Franchisor discontinues any Business Services involving the reporting of Gross Revenues or the collection of Royalty and other fees, Franchisee must comply with Franchisor's reasonable reporting and collection procedures as provided in the Manual.

14.3 Procedure for Obtaining Designation. If Franchisee desires to purchase any product from an undesignated vendor, Franchisee or the vendor will submit to Franchisor a written request for designation. Franchisee may approve or reject a vendor requested by Franchisee in its sole and absolute discretion. Franchisee acknowledges that the sale of Products is a significant source of income to Franchisor. Thus, if Franchisee purchases Products from alternate vendors, once designated as approved by Franchisor, Franchisee agrees to pay Franchisor a twelve percent (12%) mark-up fee or such other fees determined by Franchisor on all such items purchased.

(a) **Inspection and Testing.** Franchisor reserves the right to require that its representatives be permitted to inspect any proposed vendor's facilities and those samples of Products from the vendor delivered to Franchisor or its designee for testing.

(b) **Review Fee.** Franchisor may impose a charge for review not to exceed the reasonable costs of inspection and testing, which will be paid by Franchisee or the proposed vendor.

(c) **Notification.** Franchisor will attempt to provide Franchisee with written notification of its decision about the designation of a supplier that Franchisee has proposed within 60 days after receipt of Franchisee's request, or within 30 days after completing any inspections or testing, whichever is later. If no response is received from Franchisor within such time period, the request shall be deemed denied.

14.4 Revocation of Designation. Franchisor may approve new suppliers or revoke past approvals of suppliers upon written notice to Franchisee.

14.5 Service Providers. Franchisee may not use any Services from unapproved third party service providers. If Franchisee desires to obtain Services from any undesignated third party service provider, Franchisor will have the right to review the terms and conditions of any arrangement between Franchisee and the third party provider, and to require additional information from the third party provider about its business background and qualifications before Franchisee uses any Services. This may include personal interviews with individuals providing services. Franchisor may, in Franchisor's sole discretion, disapprove (at any time) any third party provider. This provision shall not apply to electrical, gas, fixed-site telephone, cable, waste removal, landscaping or security services relating to Franchisee's Business Location.

14.6 Access to Confidential Information. If, in supplying Products or providing Services to Franchisee, any third party may obtain access to Confidential Information, Franchisor may require, as a condition of its approval, that the vendor or provider and its personnel execute confidentiality and non-competition agreements in forms satisfactory to Franchisor.

14.7 Unauthorized Purchases. Except to the limited extent expressly permitted in Section 4.1, if Franchisee purchases Products or Services that are not approved by Franchisor or purchases Products or Services from unapproved suppliers, Franchisor reserves the right to charge Franchisee an additional royalty equal to forty-five percent (45%) of the gross amount of such purchase. If charged, payment shall be made upon the earlier of (a) thirty (30) days after receipt of the product or service or (b) three (3) days after payment to the supplier of the product or service. It shall be the duty of Franchisee to accurately and timely report such purchases to Franchisor. If Franchisee substitutes Products or Services without prior authorization, Franchisee shall also be in default of this Agreement, and Franchisor may exercise its right and remedies under Article 17.

14.8 Applicability to Business Services. The Business Services described in Section 4.3 are not Products or Services under this Article 14.

15. ADVERTISING, MARKETING AND PROMOTION.

15.1 Use and Display of Proprietary Marks. Franchisee may use and display the Proprietary Marks only in connection with offering and selling authorized Products and Services under the System, and for no other purpose.

(a) In using or displaying any Proprietary Marks, Franchisee will use the appropriate marks or symbols (such as ®, TM or SM), as required by Franchisor.

(b) Franchisee will ensure that all stationery, signs, and other printed materials used or displayed in connection with the Franchised Business bear the Proprietary Marks in the form, colors, location and manner prescribed by Franchisor.

15.2 Advertising Products and Services. In connection with the operation of the Franchised Business, Franchisee will advertise, offer and sell only the Products and Services authorized by Franchisor under the System.

(a) **Use of Materials Provided by Franchisor.** Franchisee will use and display all advertising and promotional materials provided to Franchisee by Franchisor, in the manner and for the time periods designated by Franchisor.

(b) **Prior Approval for All Other Materials.** Franchisee will not use or display any other advertising, marketing or promotional materials, whether print, electronic, audio, visual or Internet, which includes setting up a website for the Franchised Business (including any materials prepared by Franchisee or its agent) in connection with the Franchised Business unless Franchisee has obtained Franchisor's prior written approval of those materials.

(1) If Franchisee desires to obtain Franchisor's approval of advertising materials, Franchisee must submit samples for review by Franchisor.

(2) If Franchisor does not approve the samples within 30 business days after receipt, Franchisee may not use the materials.

(c) **Discontinue Non-Approved Advertising.** Franchisee will stop using or displaying any advertising materials immediately on notice from Franchisor. This applies even if the materials were previously approved.

(d) **National Advertising Activities.**

(1) Franchisee will pay the National Advertising Fee to a fund for the promotion of the Franchised Business, the Marks and the System (the “**National Advertising Fund**”). Franchisee’s National Advertising Fee is in addition to Franchisee’s Minimum Local Marketing Expense and the Local Digital Marketing Campaign. Franchisor or an affiliate will administer the National Advertising Fund. Franchisor reserves the right to use any media, create any programs, and allocate advertising and promotional expenditures to any regions or locales it deems appropriate. Franchisor may use the National Advertising Fund to meet the costs of administering, preparing and conducting national, regional or local advertising, promotional and brand building programs and initiatives or any kind (collectively, “**Brand Development Activities**”), which includes but is not limited to the cost of (i) preparing and conducting television, radio, magazine, newspaper and digital advertising campaigns and other public relations activities (including, but not limited to, for purposes of brand reputation management), (ii) employing public relations firms and advertising agencies to assist in these activities, and (iii) conducting other activities that are directly or indirectly designed to attract national account customers, promote the System, its franchisees, and/or increase System sales, such as limited-time offerings, new product development, sales training programs, including Learn.Practice.Do, costs associated with the inside sales program, franchisee incentives, customized materials, guest response programs, manager/employee recognition programs, quality assurance programs, mystery shopper programs, brand website and ordering platforms, brand applications, social media account administration and promotion, and equipment and technologies related to such marketing programs.

(2) Franchisee represents and acknowledges that, with respect to the National Advertising Fund:

(i) Franchisor is not obligated to conduct any advertising or spend any amount on advertising in Franchisee’s Territory. Franchisor may periodically formulate, develop, produce, and conduct, at its sole discretion, advertising or promotional programs in such form and media as Franchisor determines to be most effective.

(ii) Franchisor has sole authority to direct all advertising programs and promotions and use of the National Advertising Fund, with sole control over the creative concepts, materials and media used in the programs, and the placement and allocation of advertising. Franchisor reserves the right to use any media, create any programs, and allocate advertising and promotional expenditures to any regions or locales it deems appropriate.

(iii) Franchisor is not required to spend any amount from the National Advertising Fund on advertising or promotions in Franchisee’s Territory. Franchisor has no obligation to make expenditures from the National Advertising Fund that are equivalent or proportionate to Franchisee’s contributions, ensure that

Franchisee benefits directly or proportionally or in any amount from the placement of advertising, or ensure that any advertising impacts or penetrates Franchisee's Territory.

(iv) Franchisor may use the National Advertising Fund to compensate Franchisor for its reasonable administrative costs and overhead it incurs in connection with all Brand Development Activities, and any other activities related to advertising and promotional programs, including new product development; market research; preparing advertising and promotional materials; digital marketing; working with public relations firms, advertising agencies, advertising placement services and creative talent; reimbursing franchisees advisory council meeting expenses; developing and maintaining, and paying third parties for the development and maintenance of internet sites, applications, and other equipment and technology related to marketing programs.

(v) Franchisor may use the National Advertising Fund to pay for Brand Development Activities in certain limited territories only and not Franchisee's Territory. Franchisor is not obligated to spend the National Advertising Fund on all territories equally, proportionately or at all.

(vi) If any contributions to the National Advertising Fund, including any associated earnings, are not spent in the fiscal year in which they accrue, they remain set aside in the National Advertising Fund for use in later years.

(vii) Any amounts Franchisor or its affiliates contribute to the National Advertising Fund will be considered an advance from Franchisor or its affiliates to the National Advertising Fund. Franchisor and/or its affiliates have the right to be reimbursed from the National Advertising Fund any amounts that Franchisor advanced to the National Advertising Fund.

(viii) Franchisor currently does not, and is not required to, maintain the National Advertising Fund, your National Advertising Fees, or income earned from contributions to the National Advertising Fund, in a separate account from Franchisor's other money. Franchisor's other franchisees may not be required to contribute to the National Advertising Fund, may be required to contribute to the National Advertising Fund at a different rate than Franchisee, or may be required to contribute to a different advertising fund. Franchisor-owned outlets, if any, will not be required to contribute to the National Advertising Fund.

(ix) The advertising may include promotions in areas where Franchised Businesses are not yet established. Franchisor may create the advertising in-house or use any outside agency, depending upon the type of media.

(x) Franchisor is not required to have an independent audit of the National Advertising Fund completed.

(e) **Local Advertising Activities.** Franchisee will pay for local advertising, promotional and marketing activities in Franchisee's Territory in an amount determined by Franchisor, not to exceed 2% of Gross Sales (the "**Minimum Local Marketing Expense**"). All advertising, promotional, and marketing activities conducted by Franchisee in Franchisee's Territory will be subject to the prior approval of Franchisor. Franchisee will submit to Franchisor all local advertising, promotional and marketing plans as required by Franchisor. Franchisor will collect this payment from Franchisee and remit one payment monthly to the vendor. Franchisee will discontinue any local advertising plans or activities promptly on notice from Franchisor. All franchisees are required to participate in the Local Digital Marketing Campaign approved by the Franchisor. The expense of such campaign does not apply to the Minimum Local Marketing Expense. We may require you to be listed locally or in other designated areas on electronic media, particularly certain websites on the Internet.

15.3 Website and Internet Advertising. No advertising or promotion by Franchisee shall be conducted on or through the Internet or other electronic transmission via computer without express prior written approval by Franchisor, including all social media sites. Franchisee shall ensure its employees do not make any website or social media post using the Marks without obtaining Franchisor's prior written approval. Without limiting the generality of the foregoing, Franchisee, without the express prior written approval of Franchisor, shall not operate, or permit to be operated on its behalf, any internet which incorporates any of the Marks or otherwise promotes the Franchised Business. All advertising and promotion by Franchisee must be factually accurate and shall not detrimentally affect the Marks or the Enviro-Master System, as determined in Franchisor's sole discretion. The approved Local Digital Marketing Campaign described in 15.2(e) has received the approval of the Franchisor. Additionally, there is an approved social media advertising provider approved by the Franchisor which can be hired by Franchisee if Franchisee chooses to do so to manage all of its social media accounts, subject to Franchisor's right of approval on any such social media advertising content and placement.

16. EVENTS OF DEFAULT.

16.1 Definition. The actions, occurrences, and breaches described in Sections 16.2 and 16.3 shall constitute an "Event of Default" under this Agreement.

16.2 Events of Default with No Right to Cure. Immediately upon the occurrence of any of the following events, all of which shall constitute an Event of Default, Franchisor may, but shall not be obligated to, exercise any of the remedies (or combination thereof) provided for in Article 17 including, but not limited to termination of this Agreement without providing Franchisee any notice or opportunity to cure:

(a) Franchisor discovers that Franchisee made any material misrepresentation or omission in its application for the Franchised Business opportunity or otherwise to Franchisor in the course of entering into this Agreement;

(b) Franchisor discovers that by entering this Agreement, Franchisee violated a non-competition agreement by which it is bound;

(c) Franchisee is convicted of or pleads no contest to a felony or other crime or offense that, in Franchisor's sole discretion and judgment, is likely to adversely affect the reputation of Franchisor, Franchisee, the System, the Franchised Business, or other Enviro-Master businesses;

(d) Franchisee engages in any action, behavior, or conduct that, in Franchisor's sole discretion and judgment, is likely to adversely affect the reputation of Franchisor, Franchisee, the System, the Marks, the Franchised Business, or other Enviro-Master businesses;

(e) Franchisee misuses or makes an unauthorized use of any of the Marks;

(f) Franchisee discloses, duplicates, or otherwise uses in an unauthorized manner any portion of the Manual or any other Confidential Information;

(g) Franchisee fails to open for business within the time required under this Agreement;

(h) Franchisee abandons, or fails or refuses to actively operate the Franchised Business for 5 or more consecutive days without Franchisor's express written permission;

(i) Franchisee relocates the Business Location without receiving Franchisor's express written permission;

(j) Franchisee's landlord notifies Franchisee that the landlord is re-taking possession of the Business Location, an eviction proceeding is filed against Franchisee, or Franchisee loses Franchisee's right to possession of the Business Location;

(k) Franchisee surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchised Business or an ownership interest in Franchisee, or fails or refuses to assign the Franchised Business or the interest in Franchisee of a deceased or incapacitated owner thereof, as herein required;

(l) Franchisee fails to maintain the Franchised Business under the primary supervision of an approved manager following the death or incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee or fails to transfer the Franchised Business to an

approved transferee within 12 months following the death of incapacity of Franchisee, pursuant to Section 11.6;

(m) Franchisor's right to effect EFT pursuant to Section 3.3(b) is revoked or impaired as a result of any act or notice of Franchisee;

(n) Franchisee maintains false books or records or submits materially false statements or reports to Franchisor; without limiting this provision, any understatement of Gross Revenues by 2% or more during any period will automatically constitute a materially false statement by Franchisee;

(o) Franchisee:

(i) becomes insolvent by reason of Franchisee's inability to pay its debts as they become due;

(ii) makes an assignment for the benefit of creditors;

(iii) makes an admission of Franchisee's inability to pay its obligations as they become due;

(iv) files a voluntary bankruptcy petition;

(v) files any pleading seeking any reorganization, liquidation, dissolution, composition, or other settlement with creditors under any law;

(vi) admits or fails to contest the material allegations of any reorganization, liquidation, dissolution, composition pleading filed against Franchisee; or

(vii) is adjudicated a bankrupt or insolvent.

(p) A receiver or other custodian is appointed for the assets of Franchisee; or a final judgment remains unsatisfied or of record for ninety (90) days or longer (unless supersedeas bond is filed); or if execution is levied against any part of the assets of the Franchisee or suit to foreclose any lien or mortgage is instituted against the Franchisee and not dismissed within ninety (90) days; or if the real or personal property of the Franchisee is sold after levy of judgment thereupon by any sheriff, marshal or constable; or the claims of creditors of Franchisee are abated or subject to a moratorium under any law; or, in the event Franchisee is a single member limited liability company, and the sole member (individual or entity) files for bankruptcy or is adjudicated bankrupt;

(q) Franchisee commits any act or omission including, without limitation, violating any law or regulation or provision of this Agreement, that results in an immediate threat or danger to the health or safety of any person;

(r) Franchisee fails to comply with any law or regulation within twenty-four (24) hours after being given notice of non-compliance or within such other reasonable time applicable to such law or regulation;

(s) Franchisee fails to satisfactorily complete required training;

(t) Franchisee is subject to Minimum Annual Royalties as specified in Exhibit B for twelve months or more consecutive months.

(u) Franchisee breaches or fails to comply with: (i) any obligation under this Agreement, the Manual, or System three or more times in any 12 month period, or (ii) the same obligation under this Agreement, the Manual, or System two or more times in any six (6) month period, in either instance, (i) or (ii), regardless of whether Franchisor has provided notice of such previous breaches or failures and regardless of whether such previous breaches or failures were cured;

(v) Franchisee fails to establish or maintain the Minimum Sales Associate Requirement as set forth in Section 12.7;

(w) Franchisee, its affiliates or any owner of Franchisee defaults, beyond any applicable cure period, under any other agreement with Franchisor or its affiliates; or

(x) Franchisee, its affiliate, or any owner of Franchisee defaults, beyond any applicable cure period, under any agreement relating to or arising out of the operation of the Franchised Business, including without limitation, a lease, sublease, loan agreement, or security interest, with any third party.

16.3 Events of Default with 30 Day Opportunity to Cure. Immediately upon the occurrence of any of the following events (to the extent these events are not already set forth in Section 16.2), all of which shall constitute an Event of Default, Franchisor may, but shall not be obligated to, exercise any of the remedies (or combination thereof) provided for in Section 17 including, but not limited to termination of this Agreement, provided that Franchisee fails to cure the Event of Default to Franchisor's satisfaction within thirty (30) days of written notice to Franchisee:

(a) Franchisee breaches or fails to perform or observe any covenant, duty or obligation contained in this Agreement; provided, however, that if Franchisee has commenced to diligently and expeditiously cure such default in the cure period, as determined in the sole

discretion of the Franchisor, the cure period shall be extended for a period of time as is commercially reasonable under the circumstances (not to exceed ninety (90) days from the notice of breach) and for so long as Franchisee is diligently and expeditiously pursuing a cure;

(b) Franchisee fails to obtain Franchisor's prior approval or consent as required under this Agreement;

(c) Franchisee fails to offer all Services or Products as required by Franchisor, offers any unapproved services or products, or makes unauthorized changes to the Business Location;

(d) Franchisee tortiously interferes with Franchisor's contractual or advantageous business relationships;

(e) Franchisee fails to operate the Franchised Business in compliance with the System Standards;

(f) Franchisee fails to: (i) ensure that any person required by Section 6.3(e) executes a Confidentiality Agreement, or (ii) provide Franchisor with copies of such agreements required to be signed;

(g) Franchisee fails to submit reports or other information or supporting records when due;

(h) Franchisee fails to make any payment to Franchisor or its affiliates when due;

(i) Franchisee engages in any activity exclusively reserved to Franchisor;

(j) Franchisee fails to maintain insurance as specified in Section 9.1 of this Agreement or provide certificates of insurance to Franchisor as required;

(k) Franchisee conducts any other business or engages in marketing any other products or services that Franchisor reasonably considers to be similar to the Products or Services authorized under this Agreement, or uses any other name or marks that Franchisor reasonably considers to be similar to the Marks;

(l) Franchisee changes any invoice that is produced by Franchisor's proprietary software system and sent to Franchisee for delivery to any customer serviced by the Franchised Business unless Franchisee first makes a written request to Franchisor that is approved in writing by Franchisor. Unauthorized alterations include, but are not limited to: (i) changing the name or address of Franchisor, (ii) changing the return address to which the customer is to mail payment, (iii) changing the amount of the invoice in any manner not authorized by Franchisor, (iv) changing

the manner, place or other terms of payment, (v) extending or otherwise changing the due date for payment, or (vi) directly or indirectly changing an invoice in any other manner (e.g., if a customer has a “cash on delivery/C.O.D.” account as defined in the Manual, Franchisee has made an unauthorized alteration if Franchisee fails to collect cash from the customer on delivery, or if a customer has a charge account that is not properly reported to Franchisor as revenue, Franchisee has made an unauthorized alteration if Franchisee collects or attempts to collect cash or other payment from the customer). Any unauthorized alteration of an invoice is a default hereunder;

(m) Franchisor receives a written complaint from any Regional or National Account customer of Franchisor or Franchisee that it intends to terminate its contract in whole or in part on account of poor service by Franchisee;

(n) Franchisee fails to service any Regional or National Account customer in the manner required by this Agreement; or

(o) Franchisee fails to pay the \$3,000 per person charge and/or complete and pay for remedial training after Franchisee, or any of its managers, employees or sales people miss any regional or annual meeting or conference.

16.4 Default by Managing Owner. Any action or omission by any manager of Franchisee shall be deemed an action or omission by Franchisee for purposes of determining whether an Event of Default has occurred pursuant to this Section 16.

17. REMEDIES AND TERMINATION

17.1 Remedies Upon Event of Default. Upon the occurrence of any Event of Default, and subject to any applicable cure period, Franchisor may in its sole discretion, immediately exercise any or all of the following remedies, in addition to all other rights and remedies available to Franchisor under this Agreement or the law:

(a) Terminate this Agreement and any other agreement, including other franchise agreements, that Franchisor and Franchisee have executed, effectively immediately or effective upon a future date determined by Franchisor;

(b) Reduce the size of the Territory;

(c) Terminate Franchisee’s protected rights in all or part of the Territory for the remainder of the term of the Franchise Agreement or such other time period Franchisor determines in its sole discretion, without refunding any fee paid for such rights;

(d) Suspend Franchisee’s access to the intranet provided that Franchisee shall remain responsible for all costs of participation;

- (e) Suspend Franchisee's access to any advertising or marketing materials or assistance provided for franchisees;
- (f) Remove Franchisee from the Enviro-Master website;
- (g) Remove Franchisee from any advertising materials;
- (h) Suspend or terminate any fee reductions which Franchisor might have agreed to during the term of this Agreement;
- (i) Require Franchisee to conduct an annual audit of its financials during the term of this Agreement at Franchisee's sole cost;
- (j) Require Franchisee, its managers, or other employees of the Franchisee to participate in additional training;
- (k) Suspend the provision of any operational support that this Agreement otherwise requires Franchisor to provide;
- (l) Suspend the provision or supply of any Services or Products for which Franchisor is an approved supplier;
- (m) Take any action to cure a breach or default on Franchisee's behalf and require Franchisee to reimburse Franchisor for all costs and expenses (including the allocation of any internal costs) for such action, plus a 10% administrative fee;
- (n) Assume or appoint a third-party to assume the management of the Franchised Business as set forth in Section 13.13;
- (o) Charge Franchisee a non-compliance fee up to \$500 for each time Franchisee defaults and \$500 per week for each week the Event of Default remains uncured;
- (p) Eliminate any remaining renewal rights that Franchisee may have; or
- (q) Reduce, modify, suspend, or otherwise terminate any other of Franchisee's rights under this Agreement while such Event of Default continues or for such other period of time that Franchisor, in its sole discretion deems appropriate, provided that Franchisee shall remain responsible for all fees and obligations under this Agreement.

17.2 General Provisions Concerning Default and Termination.

- (a) **Reliance on Defaults.** In any arbitration or other proceeding in which the validity of any termination of this Agreement or Franchisor's refusal to enter into a renewal

Franchise Agreement is contested, each party may cite to and rely upon all defaults or violations of this Agreement, not only the defaults or violations referenced in any written notice.

(b) **Notification to Third Parties.** Franchisee agrees that Franchisor has the right and authority (but not the obligation) to notify any or all of Franchisee's owners, lenders, landlords, creditors, vendors, or suppliers, if Franchisee commits an Event of Default or if Franchisor terminates this Agreement.

(c) **No Constructive Termination and Election of Remedies.** Unless Franchisor expressly terminates this Agreement, Franchisor's exercise of any of the foregoing remedies will not constitute an actual or constructive termination of this Agreement nor will it be Franchisor's sole and exclusive remedy for Franchisee's default or failure to comply with this Agreement.

(d) **Ongoing Payment of Fees.** During any suspension period, Franchisee must continue to pay all fees and other amounts due under, and otherwise comply with, this Agreement and all related agreements. If Franchisor restores any of Franchisee's rights, Franchisee will not be entitled to any compensation for any fees, expenses, or losses Franchisee might have incurred due to Franchisor's exercise of any of its rights provided in Section 17.1.

(e) **No Waiver.** If Franchisor exercises its right not to terminate this Agreement but to implement any remedies in Section 17.1, Franchisor may at any time after the appropriate cure period under the written notice has lapsed (if any) terminate this Agreement without giving Franchisee any additional corrective or cure period. Franchisor's exercise of its rights under Section 17.1 will not be a waiver by Franchisor of any breach of this Agreement.

(f) **Liquidated Damages.** If Franchisor terminates the Franchise Agreement prior to the expiration of the term, Franchisee shall pay Franchisor liquidated damages in an amount equal to the average Royalty Fees owed by you (even if not paid) per month over the 12-month period preceding the date of termination (or, if the Franchised Business was not open throughout such 12-month period, then the average Royalty Fees earned per month for the period in which the Franchised Business was open), multiplied by the lesser of: (i) 24; or (ii) the number of months remaining in the term of the Franchise Agreement. Franchisee acknowledges and understand that the liquidated damages are not a penalty, but rather a reasonable pre-estimate of the damages suffered by Franchisor due to Franchisee's failure to continue operating the Franchised Business for the remainder of the term of this Franchise Agreement. This liquidated damages provision will not limit Franchisor's rights to injunctive relief relating to any violations of this Franchise Agreement, nor limit any other damages available to us arising out of such violations, including without limitation brand damage.

18. OBLIGATIONS ON TERMINATION OR EXPIRATION.

18.1 Obligations of Franchisee. Upon the expiration or earlier termination of this Agreement, all of Franchisee's rights hereunder will terminate. Franchisee will comply with all requirements under this Agreement which expressly or by reasonable implication apply to Franchisee's conduct after termination or expiration, including but not limited to the following:

(a) Immediately cease to operate the Franchised Business and at no time thereafter represent itself to the public, directly or indirectly, as a current or former franchisee of Franchisor;

(b) Immediately and permanently cease to use, in any manner whatsoever, the System, and all Proprietary Marks, including all distinctive logos, symbols, slogans and graphics associated with the Proprietary Marks or System;

(c) Cancel any government registrations or licenses that Franchisee may hold in the name of "Enviro-Master Services" (or any other name designated by Franchisor for the System) and submit to Franchisor proof of compliance with this obligation within 30 days after termination or expiration of the Franchise;

(d) Immediately deliver to Franchisor or its designee the Manual and all other materials relating to operation of the Franchised Business (including but not limited to correspondence, drawings, files, manuals, handbooks, invoices, plans, programs, records, samples, standards and specifications, and all copies thereof, all of which are acknowledged to be Franchisor's property);

(e) Immediately deliver to Franchisor or its designee all products purchased from Franchisor or its designated suppliers and all products bearing the Proprietary Marks (including all distinctive logos, symbols, slogans and graphics associated with the Proprietary Marks or System), including but not limited to any such products that were installed in the facilities of Franchisee's customers such as dispensers, urinal shields, and cleaning fluid, or alternatively, provide to Franchisor sufficient documentation (as determined by Franchisor) evidencing that Franchisee sold such products to another Enviro-Master franchisee;

(f) Cease use of the customer lists, customer service contracts and related records and transfer possession of such items to Franchisor. Franchisee acknowledges that the customer base is a part of the overall system and is owned by the Franchisor;

(g) Immediately collect and deliver to Franchisor all advertising, brochures, literature, posters and any other items bearing the Proprietary Marks which have been provided, by or on behalf of Franchisee, to 3rd parties to distribute or display;

(h) Refrain from making any change, deletion or erasure to the computer system or systems (including all storage media or devices) used in the Franchised Business and immediately make available to Franchisor or its agents full and complete access to such systems (free of encryption or password protection) for the purpose of copying any information thereon; and

(i) Promptly pay all sums owing to Franchisor and its affiliates.

18.2 Assignment. At Franchisor's option, on termination or expiration of the Franchise, Franchisee will assign to Franchisor or its designee any interest which Franchisee has in any lease or sublease for the Franchised Business premises, if any, and any or all customer service agreements then in effect.

18.3 De-Identification.

(a) If Franchisor does not require Franchisee to assign the lease or sublease for the Business Location if any, Franchisee will ensure that all equipment, fixtures, other products and decor reflecting the Proprietary Marks and System (including any distinctive decorative features or color schemes) are removed from the Business Location, as Franchisor may consider necessary to prevent confusion, mistake, or deception.

(b) Franchisee will comply with Franchisor's instructions to cancel, forward or assign Franchisee's telephone number for the Franchised Business.

(c) Franchisee will remove any Enviro-Master trademark or logo or other information regarding the Franchised Business or the System from any vehicle which has been used for the Franchised Business.

18.4 Cooperation by Franchisee. Franchisee will assist and cooperate with Franchisor and its agents to accomplish the de-identification and/or the orderly transition of the formerly Franchised Business as required under this Article 18. Franchisee shall promptly provide Franchisor with access to all books and records of Franchisee and all information relating to employees, customers and prospects of the Franchised Business. If Franchisee fails or refuses to comply with the requirements of this Article 18, Franchisor and its agents will have the right to enter Franchisee's Business Location, if any, and make all required changes, at Franchisee's expense, which Franchisee agrees to pay on demand. Franchisee will indemnify Franchisor and its agents against any claims by any person arising out of actions by Franchisor or its agents to de-identify the Business Location.

19. OPTION TO PURCHASE THE ASSETS OF THE FRANCHISED BUSINESS.

(a) Upon expiration or earlier termination of the Franchise Agreement, Franchisor or Franchisor's designee (which may or may not be another affiliate or franchisee of Franchisor) shall have the option (but not the obligation) to purchase any or all of the assets of the Franchised Business (the "**Purchase Option**") using the following formulas to calculate the purchase price for the following assets:

(i) the tangible assets of the Franchised Business other than inventory at a price for each item based on its purchase price, reduced one-fourth for depreciation for each twelve month period since its acquisition;

(ii) the inventory of supplies and Products of the Franchised Business at the price of ninety percent (90%) of Franchisee's cost (provided that obsolete or unsalable items shall be at twenty percent (20%) of cost);

(iii) all of the accounts receivable of the Franchised Business, at a price calculated at eighty-five percent (85%) of the face amount for all accounts receivable that have been outstanding for less than 90 days; and/or

(iv) and the other intangible assets of the Franchised Business for an aggregate amount of \$1.00

(Items (i)-(iv) above shall be collectively referred to as "**Purchased Assets**" or "**Purchase Price**" as applicable). Notwithstanding the foregoing: the Purchase Price shall be reduced by the amount of any indebtedness or liability (direct or indirect) the purchaser may assume as a result of purchasing the Purchased Assets; and if Franchisee owes an indebtedness to Franchisor at the time of purchase (the "**Franchisee's Debt**"), the purchaser shall reduce the Purchase Price by the Franchisee's Debt and pay the amount of Franchisee's Debt to Franchisor. It is agreed and acknowledged that no separate goodwill, customers or customer lists will be retained by Franchisee, as such goodwill, customers or customer lists are at all times assets of Franchisor. Franchisor shall not pay any value for customers, customer lists or goodwill of the Franchised Business, it being understood that Franchisor is the exclusive owner of all customers, customer lists and goodwill of the Franchised Business.

(b) **Manner of Exercising Option:** If Franchisor elects to exercise its Purchase Option, Franchisor will notify Franchisee in writing no later than 15 business days after the date of expiration or earlier termination of this Agreement. Closing will take place within 30 days after Franchisor has received all information, data and documentation from Franchisee necessary to calculate the Purchase Price. Franchisor or Franchisor's agent will have the right to operate the Franchised Business from the date of notice until closing.

20. COVENANTS NOT TO COMPETE, SOLICIT AND HIRE

20.1 Acknowledgments. Franchisee specifically acknowledges that Franchisee has no previous experience in the business embodied by the System and that, pursuant to this Agreement, Franchisee will receive valuable specialized training and information concerning the operational, sales, promotional, and marketing methods and techniques of Franchisor as embodied in the System. Accordingly, Franchisee agrees to the following covenants:

20.2 In-Term Covenants. Throughout the term of the Franchise, neither Franchisee nor any of its owners or affiliates will directly or indirectly:

(a) divert or attempt to divert any business or customer of the Franchised Business, the Franchisor, or of any franchisee to any competitor;

(b) solicit or hire any person who is at that time (or was within the previous 6 months) employed by Franchisor or by any other Enviro-Master franchisee without the prior express permission of the employer; or

(c) engage in, assist, have any interest in, or make loans or advances to, any business that is similar to the Franchised Business, or offers the same or similar Products or Service.

20.3 Post-Term Covenant. For a period of 2 years (the “**Restrictive Period**”) after the transfer, assignment, termination or expiration of this Agreement (the “**Termination Date**”) Franchisee will not, either directly or indirectly, individually or with another:

(a) engage in, assist, hold any ownership or financial interest in, or have any managerial or sales involvement in any business, which provides in whole or in part, products or services that are competitive with the Franchised Business or the System, within (i) the former Territory of Franchisee and within 25 miles of the outer boundary of the same or (ii) in the designated territory of any other Enviro-Master franchise or business in existence as of the Termination Date and within 10 miles of the outer boundary of such territories.

(b) solicit or divert, attempt to influence or take away any customers, Franchisees, vendors or patrons of Franchisor or any other franchisee of Franchisor which customers, franchisees, vendors or patrons were served by Franchisor or any franchisee of Franchisor at any time during the two (2) years before the Termination Date, to transfer or divert their business or patronage from Franchisor or any Franchisee to any other person engaged in any business the same or similar to the Franchised Business; or

(c) solicit or attempt to hire any person who was an employee of Franchisor or any Franchisee of Franchisor during the one year period ending on the Termination Date, or

attempt to influence any such person to terminate his employment with Franchisor or any Franchisee of Franchisor.

20.4 Exception. Sections 20.2(c) and 20.3 do not apply to ownership of less than 3% of the shares issued and outstanding of a publicly traded corporation.

20.5 Franchisee agrees that the periods of time in these covenants and the geographical areas of restriction in this covenant are fair and reasonable and are reasonably required for the protection of Franchisor and its franchisees. Franchisee would desire at least this same protection against competitive activities by another former franchisee. Franchisee agrees that, if a court or arbitrator should determine any part of this Section 20 to be overly broad, unenforceable, or invalid, the remaining parts hereof shall continue to be valid and enforceable as though the invalid portions were not a part hereof. If any of the provisions of this Agreement relating to the geographic area of restriction or the periods of time of the covenants shall be deemed to exceed the maximum area or periods of time which a court with jurisdiction would deem enforceable, the geographic area or periods of time shall, without further action on the part of any person, be deemed to be modified, amended and limited, to the maximum geographic area or time periods which a court of competent jurisdiction would deem valid and enforceable in any jurisdiction in which such court shall be convened or covenant applied. Any modification shall apply only in the jurisdiction of the deciding court or in the state where the arbitrator made the decision and that court or arbitrator is expressly empowered to make any modifications contemplated by this provision.

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

20.7 Franchisee acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant in this Section 20 without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof. Franchisee agrees that it shall comply with any covenant as so modified, which shall be fully enforceable notwithstanding any other provision of this Agreement regarding the modification of the Agreement's terms.

20.8 Upon Franchisor's written request, Franchisee shall obtain signed covenants similar to those set forth in this Section 20 from any or all of the following persons: (1) all principles of Franchisee (if Franchisee is an entity), all managers of Franchisee, and any other personnel employed by Franchisee who have received or will receive access to confidential information including the Manual; (2) all officers, directors, and holders of a beneficial interest of 5% or more of the securities or ownership of Franchisee, and of any entity directly or indirectly controlling franchisee, if franchisee is an entity; (3) the general partners and any limited partners if franchisee

is a partnership and (4) all sales personnel and technical personnel of Franchisee who have or will have material contact with Franchisee's customers, patrons, or vendors. Every covenant required by this subparagraph shall be in a form satisfactory to Franchisor and shall expressly name Franchisor as intended third party beneficiary.

20.9 The terms of this Section 20 shall survive the termination or expiration of this Agreement for any reason.

20.10 If, at any time during the Restrictive Period, Franchisee fails to comply with Franchisee's obligations under Section 20.3, then the Restrictive Period will be tolled during such period of non-compliance.

21. INTERPRETATION OF AGREEMENT

21.1 Independent Contractor. Nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, fiduciary or servant of the other party for any purpose whatsoever.

(a) During the term of the Franchise, Franchisee will hold itself out to the public as an independent contractor operating the Franchised Business under license. Franchisee will display in a conspicuous place in Franchisee's van (or business premises, if any) and on Franchisee's business stationery, forms and advertising, a sign or notice to the effect that:

This Business is Independently Owned and Operated by
[Franchisee] under an Enviro-Master franchise.

(b) Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or obligation in the name of Franchisor. Franchisor will in no event be liable to any person as a result of any action by Franchisee.

21.2 Approvals and Waivers.

(a) Whenever this Agreement requires the prior approval, acceptance or consent of Franchisor, Franchisee will make its request in writing and submit it in time for Franchisor to review and respond effectively. All approvals, acceptances or consents of Franchisor must be in writing to be binding on Franchisor.

(b) Franchisor makes no warranties or guarantees to Franchisee. Franchisor will have no obligation or liability to Franchisee as a result of any approval, waiver, acceptance, consent or suggestion given to Franchisee, or any failure or delay in responding to any request of Franchisee, or the denial of any request by Franchisee.

(c) Franchisor will have the right to demand exact compliance by Franchisee with the terms and conditions of this Agreement at all times. No action or inaction by Franchisor constitutes a waiver of any of its rights under this Agreement. Any actual waiver by Franchisor is limited to the specific terms of the waiver and does not apply to any other past or future conduct by Franchisee.

21.3 Notices. All notices under this Agreement will be in writing and will be personally delivered or mailed by certified or registered mail, return receipt requested, to the respective parties at the addresses first shown above, unless and until a different address has been designated by written notice to the other party.

21.4 Entire Agreement; Amendments.

(a) This Agreement (including all exhibits or attachments and any documents incorporated by reference) constitutes the complete, entire agreement between Franchisor and Franchisee concerning the subject matter covered in this Agreement.

(b) Franchisor and Franchisee are not bound by any previous discussions between them, whether on the subject matter of this Agreement or any other subject matter, unless the terms have been set down in writing signed by both parties.

(c) This Agreement supersedes all previous written or oral agreements between Franchisor and Franchisee on the subject matter of this Agreement.

(d) Except as specifically provided in this Agreement, no amendment or change to this Agreement will be binding on either party unless it is mutually agreed to by the parties and executed by their authorized officers or agents in writing.

(e) Notwithstanding the foregoing, nothing in this Agreement or any related agreement is intended to disclaim any representations made in the Franchise Disclosure Document delivered to Franchisee.

21.5 Reduction in Scope. Franchisee understands and acknowledges that Franchisor will have the right, in its sole discretion, to reduce the scope of any obligation or covenant of Franchisee under this Agreement, without Franchisee's consent, effective immediately on receipt by Franchisee of written notice. Thereafter, Franchisee agrees to comply with any such reduced covenant or obligation.

21.6 Interpretation.

(a) Each provision of this Agreement is separate and independent from every other provision. If any provision is found to be void, invalid or unenforceable, the remaining provisions of this Agreement will remain in full force and effect. If a provision is unenforceable

as constructed but would be enforceable upon the striking of a phrase, clause or sentence, then such phrase, clause or sentence shall be stricken as may be necessary to render the remaining portion of the provision enforceable.

(b) If any provision imposing an obligation on Franchisee is found to be unreasonable or unenforceable because it imposes excessive requirements or restrictions, Franchisee agrees to comply with the basic obligation to the maximum extent permitted by law.

(c) If any covenant in this Agreement is found to be void, invalid, unenforceable, or unreasonably broad, the court will be authorized to reduce or revise that covenant so that it will be effective to the maximum extent that would be permitted by law.

(d) Except as expressly provided in this Agreement, nothing in this Agreement is intended to give any person any rights or remedies under this Agreement except Franchisee, Franchisor and their respective successors and assigns (subject to Article 11).

(e) No right or remedy conferred on or reserved to Franchisor by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy that is permitted or provided by law or equity, but each remedy will be cumulative of every other right or remedy.

(f) All headings in this Agreement are intended solely for convenience and will not affect the meaning of any provisions.

(g) All references involving gender and number will be construed to include the masculine, feminine, neuter, singular or plural, where the context so requires.

(h) This Agreement will be effective and binding on Franchisor only when executed on behalf of Franchisor by its President or other authorized senior officer.

(i) Each party has had the opportunity to consult with legal counsel before execution of this Agreement. In construing this Agreement there shall not apply any presumption that any provision of this Agreement will be construed against the party responsible for drafting the Agreement.

22. GOVERNING LAW AND ENFORCEMENT

22.1 Applicable Law. This Agreement will become effective when delivered in executed form to the Franchisor or acceptance at its principal place of business in Mecklenburg County, North Carolina. This Agreement will be governed by and interpreted under the laws of the State of North Carolina, without regard to North Carolina's choice of law rules.

22.2 Costs of Enforcement. Franchisee will pay all costs and expenses (including, without limitation, reasonable attorneys' fees, accounting fees and fees of other experts) incurred by Franchisor in connection with the enforcement of this Agreement against Franchisee.

22.3 Remedies. Franchisee acknowledges that Franchisee's violation of the terms of Article 6, Confidential Information, Article 18, Obligations on Termination or Expiration, or Article 20, Covenants not to Compete, would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Franchisee consents to the issuance of a temporary injunction and a preliminary injunction prohibiting any conduct by Franchisee in violation of the terms of those Articles. Franchisee shall also be entitled to mandatory injunctive relief as may be necessary to continue the Franchised Business pursuant to Article 18 without detriment to the goodwill of the Franchise or detriment to customers. In either such event, injunctive relief may be obtained upon a showing of a prima facie case of violation, and a bond of \$1,000 is agreed to be sufficient to secure such injunction. Injunctive relief shall not be in lieu of damages but rather is acknowledged to be necessary to avoid irreparable harm that would occur in addition to damages that result from conduct prior to the injunctive relief taking effect.

22.4 Claims No Bar to Enforcement. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in Articles 6, 18 and 20.

22.5 Limitation on Actions. Notwithstanding any provision of law, Franchisee agrees that any demand or claim by Franchisee related to or arising under this Agreement will be brought within one year after the date when the facts giving rise to the demand or claim became known, or should have become known in the exercise of reasonable diligence, to Franchisee.

22.6 Negotiation and Mediation.

(a) **Agreement to Use Procedures.** Unless Franchisor is seeking immediate injunctive relief, neither Franchisor nor Franchisee shall file a demand for arbitration until they have attempted in good faith to resolve their dispute in accordance with the mediation process set forth in this Section 22.6.

(b) **Initiation of Procedures.** The party that initiates these procedures ("**Initiating Party**") must give written notice to the other party, describing in general terms the nature of the dispute, specifying the Initiating Party's claim for relief, and identifying one or more people with authority to settle the dispute for him, her, or it. The party receiving the notice ("**Responding Party**") has 10 business days within which to designate, by written notice to the Initiating Party, one or more people with authority to settle the dispute on the Responding Party's behalf. These people are called the "**Authorized People**."

(c) **Direct Negotiations.** The Authorized People may investigate the dispute as they consider appropriate, but shall meet within thirty (30) days from the date of the Initiating Parties' written notice to discuss resolving the dispute. The Authorized People may meet at any time any place and as often as they agree. If the Dispute has not been resolved within thirty (30) days after their initial meeting, either party may begin mediation procedures by giving written notice to the other party that it is doing so.

(d) **Selection of Mediator.** Within ten (10) business days from the date on which one party gives notice that he, she, or it, is beginning mediation, such party shall submit a list of ten certified mediators who is not associated with, or otherwise doing business with the party or such party's attorney (except as an adversary or as a previous mediator). Within ten (10) business days from receiving such list, the Authorized Person for the other party shall select a name from the list. If the mediator is not available to serve, the Authorized Person who received the list shall select another mediator from the list. If three persons listed are unable or unwilling to serve after being selected, the Authorized Person who received the list shall provide a list of ten certified mediators, and the process shall be repeated with the Authorized Persons having exchanged roles.

(e) **Time and Place for Mediation.** In consultation with parties, the mediator shall promptly designate a mutually acceptable time and place for the mediation, which shall in any event be a place within 100 miles of Franchisor's principal place of business. Unless circumstances make it impossible, the time selected may not be later than thirty (30) days after selecting the mediator.

(f) **Exchange of Information.** If either party to this Agreement believes he, she, or it needs information in the possession of another party to this Agreement, to prepare for the mediation, all parties must attempt in good faith to agree on procedures for exchanging such information, with the help of the mediator if required.

(g) **Summary of Views.** At least seven (7) days before the scheduled mediation session, each party must deliver to the mediator and the other party a concise written summary of its views of the matter in dispute, and any other matters the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator.

(h) **Representatives.** In the mediation, each party must be represented by an Authorized Person and may be represented by counsel. In addition, each party may, with permission of the mediator, bring any additional people who are needed to respond to questions, contribute information, and participate in the negotiations.

(i) **Conduct of Mediation.** The mediator should advise the parties in writing of the format for the meeting or meetings. If the mediator believes it useful after reviewing the

position papers, the mediator should give both the mediator and the Authorized People an opportunity for oral presentation of each party's views on the disputed matter. The mediator should assist Authorized People in negotiating resolution of the disputed matter, with or without the assistance of counsel or others. To this end, the mediators are authorized both to conduct the joint meetings, and to attend separate private caucuses with parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned in a private caucus with any party unless specifically authorized by that party to disclose information to the other party. The parties commit to participate in the proceedings in good faith with the intent of resolving the dispute if at all possible.

(j) **Termination of Procedure.** The parties agree to participate in the mediation procedure to its conclusion, as defined in this Section. The mediation may be concluded (1) by signing a settlement agreement by the parties; (2) by the mediator's declaration that the mediation is terminated; or (3) by a written declaration of either party, no earlier than at the conclusion of one full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any legal action proceedings or seek another remedy before the expiration of a five business-day waiting period following the mediation. A party may begin arbitration (or litigation if permitted under the terms hereof) within this period only if arbitration (or litigation if permitted under the terms hereof) might otherwise be barred by an applicable statute of limitations or to request an injunction to prevent irreparable harm.

(k) **Fees of Mediator; Disqualification.** The fees and expenses of the mediator must be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert, counsel for any party concerning the dispute or any related or similar matter in which either of the parties is involved.

(l) **Confidentiality.** The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual, or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view, or opinion, oral or written, made during mediation by the parties or their agents or employees, or the mediator, is confidential and shall be treated as privileged. No conduct, statement, promise, offer, views, or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

22.7 Arbitration and Litigation.

(a) **Arbitration.** All disputes and claims relating to or arising under this Agreement, any other agreement entered into between the parties, the rights and obligations of the parties, or the franchise relationship between the parties if not settled in mediation, shall be

resolved by arbitration in Charlotte, North Carolina in accordance with the Commercial Arbitration Rules of American Arbitration Association (“**the Arbitrators**”), provided that there shall be no class action arbitration. The following shall supplement and, in the event of a conflict, shall govern any arbitration: If the claim is for less than \$30,000 then the matter shall be heard before a single arbitrator. If the claim, or a counterclaim, is for \$30,000 or more, the matter shall be heard before a panel of three (3) arbitrators (unless the parties agree on a single arbitrator). Each party must bear its own costs of arbitration; provided, however, that arbitrators’ fee shall be shared equally by the parties. The arbitrators shall have no authority to determine class action claims and shall have no authority to amend or modify the terms of the Agreement. The arbitrators shall apply applicable law, subject to the terms hereof. The arbitrators shall deliver a written opinion with their award, setting forth the facts and the contractual authority for any award of money damages. Judgment upon the award of the arbitrator may be submitted for confirmation and entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

(b) **Litigation.** Notwithstanding anything to the contrary contained in herein, in the event that Franchisor seeks injunctive or equitable relief, the Parties agree that Franchisor may bring such claims for injunctive or equitable relief, and all other claims, including claims for money damages in court, and not arbitration. In the event Franchisee has any counterclaims to the claims brought by Franchisor in court, Franchisee shall file any such counterclaim in court. In the event of litigation in accordance with the terms herewith, Franchisee consents and agrees that:

(i) the following courts shall have personal jurisdiction over Franchisee in all lawsuits relating to or arising out of this Agreement and related agreements and hereby waives any defense Franchisee may have of lack of personal jurisdiction in any such lawsuit filed in these courts: (i) all courts included within the state court system of North Carolina; and (ii) all the United States District Courts sitting within North Carolina.

(ii) venue shall be proper in any of the following courts in all lawsuits relating to or arising out of this Agreement and related agreements and hereby waives any defense Franchisee may have of improper venue in any such lawsuits filed in these courts: (i) the magistrate, district or superior court of Mecklenburg County; and (ii) the United States District Court for the Western District of North Carolina (Charlotte Division). In the event any of these courts are abolished, Franchisee agrees that venue shall be proper in the state or federal court in North Carolina which most closely approximates the subject matter jurisdiction of the abolished court.

(iii) in all lawsuits relating to or arising out of the Agreement and related agreements, Franchisee consents and agrees to be served with process outside the

State of North Carolina in the same manner as service may be made within the State of North Carolina by any person authorized to make service by the laws of the state, territory, possession, or country in which service is made or by any duly qualified attorney in such jurisdiction, and Franchisee hereby waives any defense Franchisee may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

(c) **Resolution of Dispute by Purchase.** Franchisee agrees that, at any time, Franchisor may cause a dispute regarding the Franchise or this Agreement (regardless whether the dispute is the subject of mediation, arbitration, litigation, post-arbitration proceedings or otherwise) to be resolved fully, completely and summarily by tendering to Franchisee an amount which is two (2) times the Royalty Fees paid by Franchisee pursuant to Section 3.2(a) in the most recent twelve months in which such Royalty Fees were paid, but not less than twice the Franchise Fee paid pursuant to Section 3.1. Exercise of such right to terminate a dispute by tender shall be entirely at the option of Franchisor. Franchisee acknowledges that the amount described in this Section represents a generous estimate of the value of the Franchised Business, even in light of, an allowing substantial margin in favor of Franchisee for, claims that may arise in favor of either party. Upon exercise of the right, all then-pending disputes between Franchisor and Franchisee shall terminate, and the Franchise shall terminate. Upon a tender given pursuant to this Section, all pending actions and proceedings between Franchisor and Franchisee shall be dismissed, and the parties shall, to document the resolution for proof to third parties, execute a mutual release of all claims known and unknown between them and their affiliates; provided that (a) Franchisee shall nevertheless comply with all obligations under Sections 6, 18.1 - 18.4, and 20; and (b) the refusal of a party to execute a release shall not affect that the release is deemed given upon the tender hereunder being made.

22.8 ACKNOWLEDGMENT THAT ARBITRATION PREEMPTS JURY TRIAL RIGHTS. THE PARTIES HERETO HEREBY WAIVE ANY RIGHT TO JURY TRIAL OF DISPUTES TO WHICH FRANCHISOR AND FRANCHISEE ARE PARTIES. THIS PROVISION SHALL BE BINDING UPON ANY GUARANTOR OF THE OBLIGATIONS OF A PARTY HEREUNDER.

22.9 WAIVER OF PUNITIVE AND TORT DAMAGES. EXCEPT AS SPECIFIED IN SECTION 9.3, FRANCHISEE AND FRANCHISOR HEREBY WAIVE ANY RIGHT TO CLAIM OR RECEIVE PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR ECONOMIC DAMAGES (E.G., LOST PROFITS, OPPORTUNITY COSTS OR DAMAGES FOR LOST OR DIMINISHED VALUE OF A BUSINESS) AS A RESULT OF ANY CLAIM BETWEEN FRANCHISOR AND FRANCHISEE, AND EACH PARTY WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY SUCH PARTY AND ANY COSTS

AND FEES TO WHICH THE FRANCHISOR MAY BE ENTITLED PURSUANT TO SECTION 22.2.

23. ACKNOWLEDGMENTS AND REPRESENTATIONS OF FRANCHISEE

23.1 Acknowledgments. Franchisee acknowledges that:

(a) Franchisee received the Franchise Disclosure Document provided by Franchisor;

(b) Franchisee has conducted an independent investigation of the Franchised Business;

(c) Franchisor will not provide any financial assistance to Franchisee; and

(d) Franchisor has made no promise that Franchisor will buy back from Franchisee any equipment, fixtures or other products purchased by Franchisee in connection with the Franchised Business

24. REPRESENTATIONS. To induce Franchisor to enter into this Agreement, Franchisee represents and warrants to Franchisor that all statements by Franchisee in connection with its application for a franchise were, and at the time of execution of this Agreement continue to be, true, complete and not misleading.

[signatures on following page]

IN WITNESS WHEREOF, the parties have duly executed, sealed and delivered this Agreement as of the date first written above.

Witness:

Franchisee:

By: _____

Title: _____

Date: _____

Witness:

Franchisee:

By: _____

Title: _____

Date: _____

Witness:

Franchisor:

**ENVIRO-MASTER INTERNATIONAL
FRANCHISE, LLC**

By: _____

Title: _____

Date: _____

ATTACHMENT A
TERRITORY

The protected territory for the _____ Territory consists of the following area:

The Business Count for the territory is _____ as of _____.

Franchisee Initial Here: _____

Franchisor Initial Here: _____

Date: _____

Date: _____

ATTACHMENT B

(New Franchisees)

MINIMUM ANNUAL ROYALTY FEES

Pursuant to Section 3.2 of this Franchise Agreement, during the Initial Term of the Franchise, Franchisee will pay Minimum Annual Royalties to Franchisor as follows:

Year of Operation	Minimum Annual Royalties
1	None
2	\$18,000
3	\$36,000
4	\$54,000
5	\$72,000

ATTACHMENT B

(Renewing Franchisees)

MINIMUM ANNUAL ROYALTY FEES

During the term of this Franchise Agreement (which represents the renewal of Franchisee’s first franchise agreement, and Years 6-15 of Franchisee’s operations), Franchisee will pay to Franchisor the Minimum Annual Royalties calculated as set forth in this Attachment B. The amount of Franchisee’s Minimum Annual Royalties shall be based upon (i) population level of businesses within the Territory, and (ii) Franchisee’s year of operations.

Population Level:

Franchisee’s Territory will be categorized according to the levels in the chart below, based on the most recent information from the National Association of Counties, or a comparable source, on the population of businesses in the Territory:

Level	Business Population
1	0 to 30,000
2	30,001 – 50,000
3	50,001 – 70,000
4	70,001 – 90,000
5	90,001 – 110,000
6	110,001 – 130,000
7	130,001

Year of Operations:

Franchisee will pay Franchisor the Minimum Annual Royalties that coincides with the Territory's Level and year of operations, as set forth in the charts below.

Year 6:

Level	Minimum Annual Royalties
1	\$90,000
2	\$90,000
3	\$90,000
4	\$90,000
5	\$90,000
6	\$90,000
7	\$90,000

Year 7:

Level	Minimum Annual Royalties
1	\$108,000
2	\$108,000
3	\$108,000
4	\$108,000
5	\$108,000
6	\$108,000
7	\$108,000

Year 8:

Level	Minimum Annual Royalties
1	\$126,000
2	\$126,000
3	\$126,000
4	\$126,000
5	\$126,000
6	\$126,000
7	\$126,000

Year 9:

Level	Minimum Annual Royalties
1	\$144,000
2	\$144,000
3	\$144,000
4	\$144,000
5	\$144,000
6	\$144,000
7	\$144,000

Year 10:

Level	Minimum Annual Royalties
1	\$162,000
2	\$162,000
3	\$162,000
4	\$162,000
5	\$162,000
6	\$162,000
7	\$162,000

Year 11:

Level	Minimum Annual Royalties
1	\$180,000
2	\$180,000
3	\$180,000
4	\$180,000
5	\$180,000
6	\$180,000
7	\$180,000

Year 12:

Level	Minimum Annual Royalties
1	\$180,000
2	\$198,000
3	\$198,000
4	\$198,000
5	\$198,000
6	\$198,000
7	\$198,000

Year 13:

Level	Minimum Annual Royalties
1	\$180,000
2	\$198,000
3	\$216,000
4	\$216,000
5	\$216,000
6	\$216,000
7	\$216,000

Year 14:

Level	Minimum Annual Royalties
1	\$180,000
2	\$198,000
3	\$216,000
4	\$234,000
5	\$234,000
6	\$234,000
7	\$234,000

Year 15:

Level	Minimum Annual Royalties
1	\$180,000
2	\$198,000
3	\$216,000
4	\$234,000
5	\$252,000
6	\$252,000
7	\$252,000

ATTACHMENT C

ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION

Bank Name : _____
ABA# : _____
Acct. No. : _____
Acct. Name : _____

Effective as of the date of the signature below, [Franchisee Name] hereby authorizes ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC (“Enviro-Master”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at _____: (1) all Royalty, National Advertising Fees Marketing and Admin/Business Service Fees. Such withdrawals shall occur on a weekly basis, or on such other schedule as Enviro-Master shall specify in writing. Enviro-Master is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization shall remain in full force and effect until terminated in writing by Enviro-Master. _____ [Franchisee Name] shall provide Enviro-Master, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

ATTEST:

FRANCHISEE

By: _____

Print name: _____

Title: _____

ATTACHMENT D

PERSONAL GUARANTY

ENVIRO-MASTER: Enviro-Master International Franchise, LLC
FRANCHISEE: _____
DATE: _____

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF ITS SHAREHOLDERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF ITS GENERAL PARTNERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF ITS MEMBERS AND MANAGERS MUST EXECUTE THE FOLLOWING UNDERTAKING.

In order to induce Enviro-Master International Franchise, LLC (“Enviro-Master”), to enter into a franchise agreement (“Franchise Agreement”) with the Franchisee named above (“Franchisee”), which each Guarantor acknowledges that Enviro-Master would not have executed in the absence of this Guaranty, and for and in consideration of the execution of the Franchise Agreement by Enviro-Master, each undersigned Guarantor, jointly and severally if two or more, hereby:

- 1) Represent to Enviro-Master that the undersigned are all of the shareholders of the Franchisee, or all of the general partners of the Franchisee, or all of the members and managers of the Franchisee, as the case may be.
- 2) Represents that he or she has carefully reviewed and considered the Franchise Agreement between Enviro-Master and Franchisee (“the Franchise Agreement”);
- 3) Agrees, in consideration of benefits received and to be received by each of them, that they jointly and severally, and for themselves, their heirs, legal representatives and assigns: (a) are and shall be firmly bound by all of the terms, provisions and conditions of the Franchise Agreement, and any other agreement between the Franchisee and Enviro-Master and/or its affiliates, (b) hereby unconditionally guarantee the full and timely performance by the Franchisee of each and every financial and performance obligation of the Franchisee under the Franchise Agreement or other agreement, including, without limitation, any indebtedness of the Franchisee arising under or by virtue of the aforesaid Franchise Agreement and (c) will not permit or cause any change in the percentage of the Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Enviro-Master prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Enviro-Master the Franchise Agreement Transfer Fee provided for in said Franchise Agreement,

if applicable, and without otherwise complying with the transfer provisions of the Franchise Agreement;

4) Agrees to be bound by the in-term and post-term covenants against competition of the Franchise Agreement and to be bound by the confidentiality mediation, arbitration and dispute resolution provisions of such Franchise Agreement.

The obligation of each Guarantor hereunder shall be binding upon such Guarantor without any further notice or acceptance thereof, and upon each and every default by Franchisee, without any notice to or demand upon such Guarantor, such Guarantor will pay to Enviro-Master the sum or sums in default and will comply with or perform all the terms, covenants and conditions of the Franchise Agreement imposed upon the Franchisee by the Franchise Agreement. In that regard, each Guarantor hereby waives the benefits of any provision of law requiring that Enviro-Master exhaust any right or remedy, or take any action, against the Franchisee, any other guarantor, any other person or property.

No extension, forbearance or leniency extended by Enviro-Master to the Franchisee shall discharge any Guarantor, or alter the obligation of any Guarantor hereunder, and each Guarantor agrees that at all times such Guarantor shall be liable under this Guaranty notwithstanding same and notwithstanding the fact that such Guarantor has had no notice of default or of any such extension, forbearance or leniency.

Enviro-Master and Franchisee, without notice to or consent by any Guarantor, may at any time or times, enter into any such modifications, extensions, amendments or other covenants respecting the Franchise Agreement, and Guarantor shall not be released from Guarantor's obligations under this Guaranty thereby. It is intended that any joinder, waiver, consent or agreement by Franchisee shall, by its own operation, be deemed to be a joinder, consent, waiver or agreement by Guarantor with respect thereto, and each Guarantor shall continue as a Guarantor with respect to the Franchise Agreement as so modified, extended, amended, or otherwise affected.

Neither the obligation of any Guarantor to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for the enforcement thereof, shall be impaired, modified, or limited in any manner whatsoever by any impairment, modification, change or limitation of the liability of Franchisee or of Franchisee's estate in bankruptcy or of any remedy for the enforcement thereof resulting from the operation of the present or future provisions of the Bankruptcy Act of the United States or any other similar or succeeding statute or law or from the decision of any court.

EXECUTED UNDER SEAL, on the dates shown below.

DATE:

SIGNATURES:

(SEAL)

(SEAL)

ATTACHMENT E

FORM OF GENERAL RELEASE

The following is the current general release language that we expect to include in any agreement that a franchisee may sign as a part of a renewal an approved transfer. We may in our sold discretion periodically modify the language.

RELEASE

THIS RELEASE (“Release”) is executed on _____ day of _____, 202__ (the “**Effective Date**”) by Enviro-Master International Franchise, LLC (“**Franchisor**”) and _____ and _____ (collectively, “**Franchisee**”). Franchisor and Franchisee are parties to that certain Franchise Agreement, dated as of [insert date] (the “**Franchise Agreement**”). Under the Franchise Agreement, Franchisor has the right to condition the [sale/renewal] of Franchisee’s Enviro-Master franchise located within the [insert location] territory (the “**Franchise**”) on Franchisee’s and Franchisee’s owners’ signing a release of claims. Franchisor is willing to approve the [sale/renewal] of Franchise if Franchisee and its owners sign this Release.

1. **Release by Franchisee.** Franchisee, individually, collectively, and on behalf of their respective past and present parents, subsidiaries, successors, assigns, officers, directors, shareholders, managers, members, agents, employees, affiliates, and heirs, in each of their respective corporate and individual capacities (collectively, the “**Releasors**”) hereby freely and without any influence forever release and discharge Franchisor and its past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, and Franchisor’s parents, subsidiaries, successors, assigns, and affiliates and each of their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, (collectively, the “**Released Parties**”) from any and all claims, covenants, contracts, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “**Claims**”), which any Releasors ever owned or held, now own or hold, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, (i) the Franchise Agreement and all other agreements between any Releasors and Released Parties, (ii) the franchisor-franchisee relationship and the operation of the Franchise, and (iii) any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. **Risk of Changed or Additional Facts.** Releasors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from or in addition to the facts now known or believed by them to be true. All parties hereby accept and assume the

risk of the facts turning out to be different from or in addition to the facts now known or believed to be true and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts or additional facts.

3. **Covenant Not to Sue.** Releasors covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any of the Released Parties with respect to any Claim released under Section 1.

4. **Owners.** Under the Franchise Agreement, Franchisor is also entitled to a release and covenant not to sue from Franchisee's owners. By his, her, or their separate signatures below, Franchisee's owners likewise grant to Franchisor the release and covenant not to sue provided above.

5. **Representations.** Each Releasor or Franchisee, as applicable, represent and warrant that:

(i) it is the owner of all Claims and rights released in Section 1 and has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1;

(ii) Franchisee has full and complete power and authority to execute this Release, and that the execution of this Release shall not violate the terms of any contract or agreement it is a party to or any court order it may be subject to;

(iii) it has read this Release in its entirety and understand all of its terms; and

(iv) Franchisee is signing this Release in exchange for good and valuable consideration and knowingly, freely and voluntarily assents to all of its terms and conditions.

6. **Complete Defense.** Each Releasor: (i) acknowledges that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and (ii) consents to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

7. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasor.

8. **Counterparts.** This Release may be executed in two or more counterparts (including by facsimile), each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

9. **Capitalized Terms.** Any capitalized terms that are not defined in this Release shall have the meaning given them in the Franchise Agreement.

10. **Choice of Law.** This release shall be governed by the laws of the State of North Carolina without regard to its laws relating to conflicts of laws.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Release as of the date shown above.

WITNESS:

[Insert Franchisee Name]

By: _____

By: _____

Print Name: _____

Name: _____

Title: _____

Date: _____

WITNESS:

[Insert Franchisee's Owners Name]

By: _____

By: _____

Print Name: _____

Name: _____

Date: _____

WITNESS:

[Insert Franchisee's Owners Name]

By: _____

By: _____

Print Name: _____

Name: _____

Date: _____

ATTACHMENT F

EMPLOYEE CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

THIS CONFIDENTIALITY AND NON-COMPETITION AGREEMENT (the “Agreement”) is made as of _____ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between, a (n) _____ (“Employer”), and _____ (“Employee”).

1. Background. Employer operates as a franchisee of Enviro-Master International Franchise, LLC, a North Carolina limited liability company (“ENVIRO-MASTER”). ENVIRO-MASTER franchises provides restroom hygiene, drain line management, paper, and chemical products and services to customers that include restaurants, fast food, hotels, schools, and other types of commercial establishments all of which ENVIRO-MASTER considers to be “Confidential Information,” as further defined in this Agreement. Employer, as a franchisee of ENVIRO-MASTER, entered into that certain franchise agreement dated _____ with ENVIRO-MASTER or its predecessor in interest Enviro-Master International Franchise, LLC (the “Franchise Agreement”). Pursuant to the Franchise Agreement, Employer uses the Confidential Information in its operation of the franchise(s) located at _____. Pursuant to the Franchise Agreement, all employees of Employer having access to the Confidential Information are required to execute this Agreement.

Employee desires to become an employee of Employer and acknowledges that, during the term of his or her employment with Employer, he or she will have access to Confidential Information in order to perform his or her employee duties. Employee understands the importance of Confidential Information to Employer and ENVIRO-MASTER and of preserving the confidentiality of Confidential Information. Employer is willing to hire Employee only on the condition that Employee agrees to comply with this Agreement's obligations. Employee understands that Employer is hiring Employee in reliance on Employee's willingness to comply with this Agreement and that Employer would not hire Employee if he or she were not willing to do so. Employee understands that complying with this Agreement is essential to protect Employer's and Enviro-Masters’ legitimate business interests.

2. Confidentiality.

(a) The term “Confidential Information” as used in this Agreement, means certain confidential and proprietary information, including trade secrets, relating to the development and operation of ENVIRO-MASTER. Confidential Information further includes, but is not limited to: (i) plans and specifications for developing ENVIRO-MASTER products; (ii) training methods, materials, programs, and systems for employees of Enviro-Master; (iii) methods, techniques, formats, specifications, standards, systems, procedures, sales and marketing techniques, and knowledge and experience in developing and operating Enviro-Master’s; (iv) marketing,

advertising, and promotional programs for Enviro-Master and the Enviro-Master System; (v) Operations Manuals; (vi) knowledge of specifications for and suppliers of products, materials, supplies, equipment, and services used in connection with developing and operating Enviro-Masters; (vii) the identities of suppliers and the terms of supplier contracts; (viii) knowledge of operating results and financial performance of Enviro-Masters; (ix) ongoing product and service research and development; and (x) new site investigation or selection criteria.

(b) In consideration of Employer's willingness to employ Employee, the compensation that Employer will pay to Employee, the training that Employer will provide to Employee, and the introduction of Employee to Employer's customers and suppliers, Employee agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on behalf of Employer, taking into consideration the confidential nature of the Confidential Information. Employee acknowledges and agrees that neither Employee nor any other person or entity will acquire any interest in or right to use the Confidential Information other than in performing his or her duties during the scope of his or her employment by Employer and that any unauthorized use or duplication of the Confidential Information would be detrimental to Employer and ENVIRO-MASTER, would damage Employer's and ENVIRO-MASTER's legitimate business interests, and would constitute a breach of Employee's obligations of confidentiality and would further constitute an unfair method of competition with Employer and ENVIRO-MASTER and/or franchised or company-owned Enviro-Master locations.

(c) Employee acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Employer and ENVIRO-MASTER. The Confidential Information will be disclosed to Employee solely on the condition that Employee agrees, and Employee therefore does hereby agree that, during and after his or her employment by Employer, he or she: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain in the absolute confidentiality of each time of Confidential Information for as long as such items remain confidential; (iii) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or any other tangible form; and (iv) will adopt and implement all reasonable procedures prescribed from time to time by Employer and ENVIRO-MASTER to prevent unauthorized use or disclosure of access to the Confidential Information, including any such procedures implemented following the execution of this Agreement.

(d) Employee acknowledges and agrees that ENVIRO-MASTER will own any developments in the operation of Enviro-Master locations or concerning its products that Employee might create during his or her employment by Employer.

3. Non-Competition Covenant. Employee covenants and agrees that, during his or her employment with Employer and for a period of two (2) years (the "Restrictive Period") after either the effective date of termination of his or her employment for any reason, whether voluntary or involuntary and whether by Employer or Employee, or the date on which Employee begins to comply with this paragraph, whichever is later, he or she will not engage in, assist, hold

any ownership or financial interest in, or have any managerial or sales involvement in any business, which provides in whole or in part, products or services that are competitive with the Franchised Business or the System within ten (10) miles of either (1) [insert address of employment], or (2) any such other territory operated by ENVIRO-MASTER, one of its authorized franchisees, or any of ENVIRO-MASTER's affiliates.

4. Employee also acknowledges and agrees that, for at least twelve (12) months after the effective date of termination of his or her employment for any reason, whether voluntary or involuntary and whether by Employer or Employee, Employee may not become a partner or investor/owner with, or work for, another Enviro-Master franchisee. Employee acknowledges that other Enviro-Master franchisees are contractually prohibited by ENVIRO-MASTER from recruiting Employees as a partner or investor/owner, or from hiring Employee, for at least twelve (12) months after Employee leaves his or her employment with Employer (regardless of the reason for his or her departure).

5. Solicitation. Employee agrees to disclose to Employer immediately upon receipt any employment offers made by any competitor of Employer (as defined in Section 3 above).

6. Amendment. This Agreement may be modified only in a writing signed by Employer and Employee.

7. Costs and Attorneys' Fees. Employee agrees to reimburse Employer and ENVIRO-MASTER for all costs and expenses, including attorneys' fees, that Employer or ENVIRO-MASTER incur to enforce this Agreement against Employee.

8. Governing Law. This agreement and the relationship of the parties will be governed by the laws of the State of North Carolina, without regard to its conflict of laws rules.

9. Severability. The parties desire that this Agreement be enforced to the fullest extent possible under applicable law and therefore agree that, if any provision is deemed to be unenforceable or unlawful, that provision will be ignored to the extent of its unenforceability or unlawfulness, but the remaining portions of that provision, and this Agreement as a whole, will be enforced to the fullest extent possible. The parties expressly agree that any court may "blue pencil" any provision in this Agreement and enforce it to the maximum extent allowed under applicable law.

10. Third Party Beneficiary. Employee recognizes that the parties intend for ENVIRO-MASTER to be a third party beneficiary of this Agreement and that ENVIRO-MASTER at its selection may enforce this Agreement with or without the authorization or cooperation of Employer. Employee understands that any action by Employee in violation of this Agreement will cause ENVIRO-MASTER irreparable harm and Employee therefore acknowledges that ENVIRO-MASTER may apply for an injunction preventing Employee from violating this Agreement and

Employee agrees to pay ENVIRO-MASTER's costs and attorneys' fees incurred by ENVIRO-MASTER to enforce this Agreement as provided in Section 6 above.

EMPLOYER

Signature: _____

Name (print): _____

Title:

Date:

EMPLOYEE

Signature: _____

Name (print): _____

Date: _____

EXHIBIT G

ADDENDUM TO FRANCHISE AGREEMENT – INDIVIDUAL OPERATOR FRANCHISE



ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC
ADDENDUM TO FRANCHISE AGREEMENT – INDIVIDUAL OPERATOR FRANCHISE

THIS ADDENDUM is made this __day of __, 20__ and modifies a Franchise Agreement of the same date (“Franchise Agreement”) entered into by **ENVIRO-MASTER INTERNATIONAL FRANCHISE, LLC**, a North Carolina limited liability company with its principal office at 5200 77 Center Drive, Suite 500, Charlotte, North Carolina 28217 (“**Franchisor**”) and _____ with its principal office at _____ (“**Franchisee**”).

A. Introduction. Franchisor offers a variation to its standard franchise, which is called the “**Individual Operator Franchise.**” The Individual Operator Franchise is different than the standard franchise because the Territory will be smaller than a standard franchise, the Individual Operator Franchise is operated primarily out of a vehicle instead of a physical location, and there are some differences in fees, personnel requirements, and other requirements relating to the franchise. Franchisee desires to acquire an Individual Operator Franchise from Franchisor, and Franchisor is willing to sell an Individual Operator Franchise to Franchisee. The purpose of this Addendum is to modify the Franchise Agreement to reflect the provisions applicable to an Individual Operator Franchise.

Accordingly, in consideration of the foregoing, the mutual covenants of the parties contained in this Addendum and other valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree to modify the Franchise Agreement as provided in this Addendum.

B. Location(s). Section 1.3 of the Franchise Agreement is modified to read as follows:

Franchisee is required to buy or lease storage space within Franchisee’s Territory (the “**Business Location**”) and the Business Location may not be moved outside the Territory except with Franchisor’s written consent.

C. Initial Franchise Fee. Section 3.1 of the Franchise Agreement is modified to read as follows:

On execution of this Agreement, Franchisee will pay to Franchisor, an Initial Franchise Fee of \$50,000.00. Franchisee acknowledges that, upon signing of this Agreement, Franchisor shall have fully earned the Initial Franchise Fee and it shall be non-refundable.

D. Protection of the Manual. The first sentence of Section 7.4 of the Franchise Agreement is modified to read as follows:

Franchisee will keep the Manual in a secure place at all times.

E. Franchise Agreement Transfer Fee. Section 11.3(f) of the Franchise Agreement is modified as follows:

The transferor or the transferee must pay to Franchisor a Transfer Fee in the amount of \$10,000 for the addition of a minority interest owner under this Section 11.3.

F. Management and Employees. Section 12.6 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Franchisee is not required to hire any employees or staff. However, if Franchisee does hire employees, Franchisee will ensure that the Franchised Business is at all times under the management and supervision of a trained designated manager acceptable to Franchisor, and will hire and maintain a competent, conscientious, trained staff. Franchisee will ensure that any employees comply with all requirements under the System, including any standards for dress and appearance. Franchisee will ensure that any employees maintain good customer relations and follow the policies and procedures of the System. Franchisee is responsible for its own personnel policies, hiring and firing of its employees, compliance with labor and employment laws, and all other employee matters.

G. Market Development. Section 12.7 of the Franchise Agreement is deleted in its entirety.

H. Opening For Business – When Due. Section 13.3(a) of the Franchise Agreement is modified as follows:

Within 90 days after execution of this Agreement, Franchisee must begin operations of the Franchised Business out of the required vehicle, as described in Section 13.4, and secure its Business Location at the location acceptable to Franchisor. The Business Location must meet Franchisor’s criteria as set forth in the Manual. The inside of the Business Location must (i) be at least 400 square feet, (ii) have adequate warehouse space for storage of equipment and Products, including a power washer, and (iii) have access to power and water.

I. Business Premises Refurbishment. Section 13.12 of the Franchise Agreement is deleted in its entirety.

J. Minimum Annual Royalty Fees (New Franchisees). Attachment B (New Franchisees) of the Franchise Agreement is modified by adding the following new Attachment B (New Franchisees):

Pursuant to Section 3.2 of this Franchise Agreement, during the Initial Term of the Franchise, Franchisee will pay Minimum Annual Royalties to Franchisor as follows:

Year of Operation	Minimum Annual Royalties
1	None
2	\$11,250

3	\$22,500
4	\$33,750
5	\$45,000

K. Minimum Annual Royalty Fees (Renewing Franchisees). Attachment B (Renewing Franchisees) of the Franchise Agreement is modified by adding the following new Attachment B (Renewing Franchisees):

During the term of this Franchise Agreement (which represents the renewal of Franchisee’s first franchise agreement, and Years 6-15 of Franchisee’s operations), Franchisee will pay to Franchisor the Minimum Annual Royalties, as determined in Franchisor’s sole discretion at the time of renewal. The amount of Franchisee’s Minimum Annual Royalties shall be based upon (i) population level of businesses within the Territory, and (ii) Franchisee’s year of operations.

L. Legal Effect. All terms not otherwise defined in this Addendum will have the same meaning as in the Franchise Agreement. Except as modified by this Addendum, the Franchise Agreement will remain in full force and effect and is incorporated into this Addendum by reference.

The parties have signed this Addendum on the date set forth at the beginning of this Addendum.

**ENVIRO-MASTER INTERNATIONAL
FRANCHISE, LLC**

"Franchisor"

"Franchisee"

By: _____

By: _____

Its: _____

Its: _____

EXHIBIT H
STATE SPECIFIC ADDENDA

We are required to provide you with additional information as a condition of registering our franchise offering in certain states. The additional disclosures are set out below. These additional disclosures apply only if the jurisdictional requirements of the applicable state franchise law are met.

H-1

ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF CALIFORNIA

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FDD.

See the cover page of the FDD for our URL address. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

Item 3, Additional Disclosure. The following statement is added to Item 3:

Neither we nor any person listed in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such parties from membership in such association or exchange.

Item 17, Additional Disclosures. The following statements are added to Item 17:

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

The Franchise Agreement provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, *et seq.*).

The Franchise Agreement provides for application of the laws of North Carolina. These provisions may not be enforceable under California law.

The Franchise Agreement contains a covenant not to solicit which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

You must sign a general release if you receive a refund of initial fees, and if you transfer your franchise or execute a successor Franchise Agreement. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Franchise Agreement requires that any action you bring be commenced in North Carolina. This provision may not be enforceable under California law. Prospective franchisees are encourage 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.

Any arbitration will be conducted in accordance with AAA Rules of Commercial Arbitration, before an arbitrator appointed by AAA.

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 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.

ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF HAWAII

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FDD, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FDD CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGEMENT SIGNED OR AGREED TO BY A FRANCHISEE IN CONNECTION WITH THE COMMENCEMENT OF THE FRANCHISE RELATIONSHIP SHALL HAVE THE EFFECT OF (i) WAIVING ANY CLAIMS UNDER 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.

Registered agent in the state authorized to receive service of process:
Commissioner of Securities, State of Hawaii, 335 Merchant Street, Honolulu, Hawaii 96813.

ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF ILLINOIS

1. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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 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.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

FRANCHISE AGREEMENT ADDENDUM
REQUIRED BY THE STATE OF ILLINOIS

TO BE EXECUTED SIMULTANEOUSLY WITH ILLINOIS FRANCHISE AGREEMENTS

1. Sections 21.2 and 22.9 of the Franchise Agreement, along with any other provisions of the Franchise Agreement, are hereby amended to reflect, as required under Section 41 of the Illinois Franchise Disclosure Act, (the "Act") any condition, stipulation, or provision purporting to waive compliance with any provision of the Act or Illinois law is void.

2. Any provision in the Franchise Agreement including Sections 22.1, 22.6 and 22.7, designating jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

3. Illinois law shall apply to any claim arising under the Act.

4. Sections 19 and 20 of the Act supersede any contrary provision of the Franchise Agreement with respect to termination or nonrenewal of the Franchise Agreement.

5. 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 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.

This ____ day of _____, 20__

Franchisee:

Date: _____

Enviro-Master:

Enviro-Master International Franchise, LLC

By: _____

Title: _____

Date: _____

ADDITIONAL FDD DISCLOSURE
REQUIRED BY THE STATE OF INDIANA

Item 17, Additional Disclosures. The following statements are added to Item 17:

1. The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.) in general governs the relationship between the franchisor and the franchisee by forbidding certain provisions in the franchise agreement and related documents and by preventing the franchisor from engaging in certain acts and practices which could be considered coercive or oppressive to the franchisee. If any of the provisions of the Franchise Agreement conflicts with this law, this law will control.
2. Any provisions requiring you to sign a general release of claims against us, including upon execution of a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Indiana Deceptive Franchise Practices Law.
3. The Franchise Agreement provides that suit must be brought in North Carolina. These provisions may not be enforceable under Indiana law.
4. Indiana franchise laws will govern the Franchise Agreement and any and all other related documents.
5. 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 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.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF MARYLAND

1. **Risk Factors, Additional Disclosures**. The following RISK FACTOR is added to Special Risks to Consider About this Franchise:

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

2. **Item 17, Additional Disclosures**. The following statements are added to Item 17:

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under 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.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures.

MARYLAND FRANCHISE AGREEMENT ADDENDUM
REQUIRED BY THE STATE OF MARYLAND

1. 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.

2. Section 2.3(e) of the Franchise Agreement is amended to add the following statement: "Pursuant to COMAR 02.02.08.16L, the general release required pursuant to this subparagraph or otherwise as a condition for renewal, sale, and/or assignment or transfer shall not apply to any liability incurred under the Maryland Franchise Registration and Disclosure Law."

3. Section 11.3(e) of the Franchise Agreement is amended to add the following statements after the last parenthetical: "...and Franchisor must execute a similar General Release of claims against Franchisee. Pursuant to COMAR 02.02.08.16L, the general release required pursuant to this subparagraph or otherwise as a condition for renewal, sale, and/or assignment or transfer shall not apply to any liability incurred under the Maryland Franchise Registration and Disclosure Law."

4. Section 22.7(b)(ii) of the Franchise Agreement is amended to add the following statement: "Provided, however, that nothing herein shall prevent Franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

5. Section 22.5 of the Franchise Agreement is amended to add the following statement: "Notwithstanding the foregoing, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise."

6. Article 22 is amended to add the following, new Section 22.10:

22.10 NO WAIVER OF STATE LAW OBLIGATIONS. All representations requiring Franchisee 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.

7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under 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.

This ____ day of _____, 20__

Franchisee:

Enviro-Master:

Enviro-Master International Franchise, LLC

By: _____

Date: _____

Title: _____

Date: _____

ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF MINNESOTA

1. **Trademarks.** The following statement is added to Item 13:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Marks infringes trademarks rights of a third party; provided, that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of the Franchise Agreement and the System. Minnesota considers it unfair to not protect your right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

2. **Choice of Forum and Law.** The following statement is added to Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or (2) remedies provided for by the laws of the jurisdiction.

3. **General Release.** The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

4. **Waiver of Right to Jury Trial and Consent to Liquidated Damages or Termination Penalties:** The following statement is added to Item 17:

You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rule 2860.4400J, which among other things, prohibits us from requiring you to waive your rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes.

5. **Notice of Termination.** The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which require, except in certain specified cases, (1) 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 and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

6. The following statement is added at the end of Item 17:

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 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.

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota franchise statutes are met independently without reference to these Additional Disclosures.

ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR 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 THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. 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

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. The following is added at the end of Item 17:

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 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.

ADDITIONAL FDD DISCLOSURES
REQUIRED BY THE STATE OF NORTH DAKOTA

1. Item 17(c) of the Disclosure Document and Section 2.3(e) of the Franchise Agreement are amended so that no general release shall be required upon renewal of that Agreement.
2. Item 17(i) of the Disclosure Document and Sections 18 and 19 of the Franchise Agreement provide for certain rights upon termination or expiration of the Franchise Agreement. You are not providing that you consent to termination upon expiration of the Franchise Agreement, but your rights as a franchisee will expire nonetheless. We also cannot require that you pay liquidated damages upon termination.
3. Item 17(r) of the Disclosure Document and Section 20.3 of the Franchise Agreement contain provisions relating to covenants not to compete; covenants not to compete such as those mentioned above are generally unenforceable in North Dakota. However, any other business covenants contained within Section 20.3, such as covenants not to solicit or covenants respecting confidential information, may still be enforced.
4. Item 17(u) of the Disclosure Document and Sections 22.6 and Section 22.7 of the Franchise Agreement are amended to provide that the site of any dispute resolution shall be agreeable to all parties and shall not be remote from Franchisee's place of business.
5. Item 17(v) of the Disclosure Document and Section 22.7 of the Franchise Agreement are amended to eliminate the requirement that Franchisee consent to the jurisdiction of the courts of North Carolina or any court outside of North Dakota.
6. Item 17(w) of the Disclosure Document and Section 22.1 of the Franchise Agreement are amended to reflect that North Dakota law shall apply to this Agreement.
7. Item 17 of the Disclosure Document and Franchise Agreement are amended to reflect the following language: 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 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.
8. Section 22.8 of the Franchise Agreement is amended to reflect that Franchisee does not waive its right to trial by jury.

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9. Section 22.9 of the Franchise Agreement is amended to not waive exemplary or punitive damages.
10. Section 22.5 of the Franchise Agreement is amended to delete reference to a limitation of claims being brought after one year; the statute of limitations under North Dakota law shall apply.

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ADDITIONAL FDD DISCLOSURE
REQUIRED BY THE STATE OF RHODE ISLAND

Item 17, Additional Disclosure. The following statements are added to Item 17:

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

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 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.

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Law are met independently without reference to these Additional Disclosures.

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ADDITIONAL FDD DISCLOSURE
REQUIRED BY THE STATE OF SOUTH DAKOTA

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 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.

ADDITIONAL FDD DISCLOSURE
REQUIRED BY THE STATE OF VIRGINIA

Item 17, Additional Disclosure. The following statement is added to Item 17:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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 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.

ADDITIONAL FDD DISCLOSURE
REQUIRED BY THE STATE OF WASHINGTON

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

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

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

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

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

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

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

The following language replaces the "Summary" section of Item 17(d), titled "**Termination by Franchisee**":

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You may terminate the agreement on any grounds available by law.

The following language is included at the end of Item 17:

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 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.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20_____.

Prospective Franchisee:

Enviro-Master International Franchise, LLC

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

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

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

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

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

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

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

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

Section 23 of the Franchise Agreement is amended to add the following language:

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Nothing in this section should be construed as a waiver of any of Franchisee's rights under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

USE OF FRANCHISE BROKERS. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

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 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.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20_____.

Prospective Franchisee:

Enviro-Master International Franchise, LLC

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT I

MARKET RESERVATION AND DEPOSIT AGREEMENT

This Agreement is made this ____ of _____ by and between Enviro-Master International Franchise, LLC (the "Company") and _____ (Prospective Franchisees or "Prospect(s)").

Whereas the Prospect(s) desires that Company reserve a specific market area in which it may purchase a franchise from Company. Area is comprised of the _____ marketplace (the "Reserved Territory").

Whereas the Company is willing to reserve the Reserved Territory, under certain conditions and terms.

It is hereby agreed as follows: Prospect(s) will issue the Company a five thousand dollar (\$5,000.00) refundable deposit by _____, 20_____. In exchange for the above commitment the Company will immediately reserve the Reserved Territory and for an additional period of fourteen (14) days after its receipt of Prospect's deposit, such that no other prospective franchisee will be issued a franchise in the Reserved Territory during the above referenced period.

On or before the expiration of the fourteen (14) day reservation period after receipt of Prospect's deposit, Prospect(s) and Company will execute required closing documents in order to issue Prospect(s) an Enviro-Master franchise in said market (the "Franchised Business"). Should Prospect(s) elect not to execute closing documents and purchase a the Franchised Business, for any reason what so ever, Company shall do the following: (1) promptly refund the Prospect's five thousand dollar (\$5,000.00) deposit precisely fourteen (14) days from receipt of the refundable deposit; or (2) promptly refund the Prospect's five thousand dollar (\$5,000.00) deposit with written notification from Prospect(s) of its desire for refund at any time prior to expiration of the fourteen (14) day period. The fourteen (14) day reservation period may be extended by written mutual consent of Company and Prospect(s).

At any time prior to closing, should company elect not to execute closing documents and sell the Prospect(s) the Franchised Business, for any reason whatsoever, Company shall promptly refund the Prospect's five thousand-dollar (\$5,000.00) deposit.

Upon Company's return of Prospect's deposit, Company shall make the Reserved Territory available to other prospective franchisees and have no further obligations to Prospect(s) of any kind or nature.

Enviro-Master International Franchise, LLC

Prospective Franchisee:

By: _____

By: _____

Date: _____

Date: _____

EXHIBIT J
Operations Manual Index
[See attached]



OPERATIONS MANUAL INDEX

Disclaimer. This Manual is not intended to constitute legal or other professional advice or professional opinion of any kind. Users of this Manual, in part or in whole, are advised to seek specific legal advice by contacting your attorney regarding any specific legal matters, including compliance with Federal, State, County, or Municipal laws and regulations, and your tax professional regarding tax matters. The information in this Manual is compiled from years of experience, as well as general practical application of procedures in multiple successful franchised locations throughout the United States and Canada. Laws may vary from state to state, region to region, county to county and city to city. Your franchised business is subject to your verification of certain Federal, State, County, Municipal and Employment laws and regulations through your legal, tax and employment law professionals.

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555 PAGES

January 2023

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

Enviro-Master Copy

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Enviro-Master International Franchise, 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. However, some state franchise laws require Enviro-Master to provide this Disclosure Document to you at the first personal meeting held to discuss the franchise sale or at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Enviro-Master International Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency located in Exhibit A.

The name, principal business address, and telephone number of each franchise seller is as follows:

Name: Tod Bierling
Address: 5200 77 Center Drive, Ste. 500
Charlotte, NC 28217
Telephone: (704) 302-1016

Name: Larry Rushing
Address: 5200 77 Center Drive, Ste. 500
Charlotte, NC 28217
Telephone: (704) 302-1016

Issuance Date: March 31, 2023

I have received a Disclosure Document dated March 31, 2023 that included the following Exhibits:

Agent for Service of Process	Exhibit A
Confidentiality Agreement	Exhibit B
Current Franchisees	Exhibit C
Former Franchisees	Exhibit D
Financial Statements	Exhibit E
Franchise Agreement	Exhibit F
Addendum to Franchise Agreement – Individual Operator Franchise	Exhibit G
State Specific Addenda	Exhibit H
Market Reservation and Deposit Agreement	Exhibit I
Operations Manual Table of Contents	Exhibit J

Date Franchisee

Date Franchisee

TO BE RETURNED TO:

Larry Rushing
Enviro-Master
5200 77 Center Drive, Suite 500
Charlotte, NC 28217

RECEIPT
Applicant Copy

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Date

Franchisee

Date

Franchisee

RETAIN THIS COPY FOR YOUR RECORDS