

FRANCHISE DISCLOSURE DOCUMENT

AD2019 Franchise, LLC

A Florida limited liability company
582 US Hwy 1
Tequesta, FL 33469
(561) 310-8387
info@alldryteam.com
www.alldryfranchise.com



The franchise is to operate a business under the trade name “All Dry” that provides disaster restoration services and cleanup services, including fire damage restoration, smoke damage restoration, flood damage restoration, storm damage restoration, biohazard removal, leak detection, mold cleanup and inspection, sewage cleanup, odor removal, and trauma and crime scene cleanup.

The total investment necessary to begin operation of an All Dry franchise is \$87,749 to \$275,300. This includes approximately \$50,550 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of two to ten territories is \$127,749 to \$560,300. This includes approximately \$90,550 to \$335,550 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Lupe Barrera at 582 US Hwy 1, Tequesta FL 33469 and (561) 310-8387.

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

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

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

Issuance date: May 19, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
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 D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only All Dry business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be an All Dry franchisee?	Item 20 or Exhibit F 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 Florida. 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 Indiana than in your own state.
2. **Minimum Payments.** You must make minimum royalty or advertising payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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 FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MICHIGAN
FRANCHISE INVESTMENT LAW ONLY)**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 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.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a 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).

(i) 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, 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:

State of Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street Lansing, Michigan 48909
Telephone Number: (517) 373 7117

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Item 1
The Franchisor And Any Parents, Predecessors, And Affiliates

In this disclosure document, “we”, “us”, or “our” refers to AD2019 Franchise, LLC. “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

Us, Any Parents, and Certain Affiliates

Our name is AD2019 Franchise, LLC. Our principal business address is 582 US Hwy 1, Tequesta, Florida 33469. We do not have any parent entities. Our affiliate, All Dry Services, LLC, is a Florida limited liability company formed on April 14, 2014 that shares the same principal business address as us and has operated an All Dry business since April 2014. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

Our Predecessors

We do not have any predecessors.

Our Business Name

We use the names “AD2019 Franchise, LLC” and “All Dry”. We do not intend to use any other names to conduct business.

Agent for Service of Process

Our agent for service of process in Florida is Lupe Barrera, and the agent’s principal business address is 582 US Hwy 1, Tequesta FL 33469. Our agents for service of process in other states are disclosed in Exhibit A.

Business Organization

We are a Florida limited liability company. We were formed on August 20, 2019.

Information About Our Business and the Franchises Offered

If you sign a franchise agreement with us, you will develop and operate a business under the trade name “All Dry” that provides disaster restoration services and cleanup services, including fire damage restoration, smoke damage restoration, flood damage restoration, storm damage restoration, biohazard removal, leak detection, mold cleanup and inspection, sewage cleanup, odor removal, and trauma and crime scene cleanup.

We do not operate businesses of the type being franchised, but our Affiliate All Dry Services, LLC does and has since April 2014.

We do not have any other business activities. We have not offered franchises in other lines of business.

You will not sign a Multi-Unit Development Agreement or Area Development Agreement for the operation of an All Dry franchise in multiple territories because you will only be operating one All Dry business

across multiple territories. Your initial franchise fee and minimum royalty fee will vary depending on the size of the population in your territories.

The general market for our services is both residential and commercial clients who have any water and/or mold damage. This market is relatively developed depending on the market and competitive in most area. Our customers are primarily residential and commercial clients. Sales are not seasonal.

You will compete against national chains, regional chains, and independent owners. Some of these competitors are franchised.

Laws and Regulations

A restoration business is subject to federal, state, and local occupational health and safety regulations (such as the regulations issued by the Occupational Health and Safety Administration). In some jurisdictions, it will be subject to licensing requirements for performing specific restoration work, such as construction, HVAC, mold remediation, lead paint, asbestos testing and abatement services. Some states may require that you hold a state contractor's license. Louisiana, Texas and Florida require a special license to perform mold remediation.

You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you. You should consult with a legal advisor about legal requirements that may apply to your business.

Prior Business Experience

We have offered franchises since January of 2020. None of our affiliates has offered franchises in other lines of business. None of our affiliates provides products or services to our franchisees.

Our affiliate, All Dry Services, LLC has operated All Dry in Jupiter, Florida since 4/14/2014. This affiliate is located at the same address as us.

Matthew Kuntz, our Founder and CEO, formed Jupiter-Tequesta A/C in Jupiter, Florida in January 1998 and operated that business until January 2019 when the company was sold; this business has material operational and financial differences between the business that is offered under this disclosure document.

Item 2 Business Experience

William Black – Director of Growth & Managing Partner

Billy has served as Director of Growth since our formation. He has also served as the Managing Partner for All Dry Services, LLC in Jupiter, Florida since January 2015.

Matthew Kuntz – Founder & CEO

Matt has served as our Chief Executive Officer since our formation and in the same role for All Dry Services, LLC in Jupiter, Florida since January 2014. Prior to that, Matt served as the President of Jupiter-Tequesta A/C from January 1998 to January 2019 in Jupiter, Florida.

Lupe Barrera – Director of Growth & Managing Partner

Lupe has served as Director of Growth since our formation and in the same role for All Dry Services, LLC in Jupiter, Florida since October 2018. From April 2004 to October 2018, Lupe

served as the General Manager of Jupiter-Tequesta A/C in Jupiter, Florida.

Bill Highsmith – Chief Operating Officer & Managing Partner

Bill has served as our Chief Operating Officer and the same role for All Dry Services, LLC in Jupiter, Florida since March 2020. Prior to that, Bill was a Business Analyst at FPL in West Palm Beach, Florida from January 2018 to March 2020.

Jason Molzer – Director of Growth & Managing Partner

Jason has served as Director of Growth since September 2020. Prior to that, he was the Operations Manager at Elite Electrical and Air in Port St. Lucie, Florida from April 2019 to September 2020. From March 2015 to April 2019, Jason was the Operations Manager for Jupiter-Tequesta A/C in Jupiter, Florida.

**Item 3
Litigation**

No litigation is required to be disclosed in this Item.

**Item 4
Bankruptcy**

No bankruptcy is required to be disclosed in this Item.

**Item 5
Initial Fees**

Initial Franchise Fee

When you sign your franchise agreement, you must pay us \$49,500 as the Initial Franchise Fee. This fee is uniformly imposed among our franchisees and is non-refundable. The Initial Franchise Fee includes a Territory with a population of 250,000 people. You may purchase additional Territories based on the table below. Upon approval by us, you may also purchase additional population for \$0.20 per person.

Number of Territories	Population	Price per Territory	Total
1	250,000	\$49,500	\$49,500
2	500,000	\$40,000	\$89,500
3	750,000	\$35,000	\$124,500
4	1,000,000	\$30,000	\$154,500
5	1,250,000	\$30,000	\$184,500
6	1,500,000	\$30,000	\$214,500
7	1,750,000	\$30,000	\$244,500
8	2,000,000	\$30,000	\$274,500
9	2,250,000	\$30,000	\$304,500
10	2,500,000	\$30,000	\$334,500

You will pay us a monthly Technology Fee of \$350 beginning when you open for business. This fee

shall be due upon signing the franchise agreement, and will also typically incur on a monthly basis, or as needed.

**Item 6
Other Fees**

Type of Fee³	Amount	Due Date	Remarks
Royalty	7% of Gross Sales, subject to a minimum weekly Royalty Fee of \$125 per Territory beginning in your 13 th month of operation	Weekly, on Tuesday	See Notes 1 and 2.
Brand Fund Contribution	1% of Gross Sales	Weekly, on Tuesday	See Note 1
Local Advertising	4% of Gross Sales	Monthly, as incurred	You must spend 4% of your monthly Gross Sales on local marketing and advertising for your All Dry business
Market Cooperative Contribution	As determined by co-op. Currently, none.	Weekly, on Tuesday	Should you elect to opt-in to any regional advertising cooperative, the maximum contribution that a co-op may require is not less than 1% and not more than 5% of Gross Sales.
Replacement / Additional Training fee	Currently, \$350 per day.	Prior to attending training	If you send a manager or other employee to our training program after you open, we will charge our then- current training fee.
Third party vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none as franchisees pay third-party vendors directly.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. Currently, franchisees pay third-party vendors directly for all required purchases. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable charge to cover our costs for administering the payment program.
Software subscription	Currently, \$50 - \$150 per month	Monthly	We require you to use certain software as described in Item 11. You pay subscription fees directly to the software supplier, and not to us.

Technology Fee	\$350	As incurred but typically on a monthly basis	We provide certain technology and assistance to franchisees. This payment will typically occur on a monthly basis, or as needed.
CRM Software	Currently \$500 plus tax per month	Monthly	We require you to subscribe to our Customer Relationship Management software, which is currently Service Titan.
Non-compliance fee	\$500	On demand	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due.
Insufficient funds fee	\$30 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law)	On demand	We may charge an insufficient funds fee if a payment made by you is returned because of insufficient funds in your account.
Costs of collection	Our actual costs	As incurred	Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us. If Franchisee fails to report weekly Gross Sales, then AD2019 Franchise may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Royalty Fees and Marketing Fund Contributions paid to

			AD2019 Franchise, and the parties will true-up the actual fees after Franchisee reports Gross Sales.
Special support fee	Our then-current fee, plus our expenses. Currently, \$600 per day.	On demand	If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
Customer complaint resolution	Our expenses		We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses.
Records audit	Our actual cost	On demand	Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period.
Special inspection fee	Currently \$600, plus our out-of-pocket costs	On demand	Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.
Non-compliance cure costs and fee	Our out-of-pocket costs and internal cost allocation, plus 10%	When billed	We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee.
Transfer fee	\$10,000 plus any broker fees and other out-of-pocket costs we incur	When transfer occurs	Payable if you sell your business.
Renewal fee	\$10,000	When you renew your Franchise Agreement	Payable if you renew your Franchise Agreement for up to two successor terms of ten years each
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	On demand	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence).
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing	On demand	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs

	party		and other expenses.
Broker Fees	Our actual cost of the brokerage commissions, finder's fees, or similar charges	As incurred	If you transfer your All Dry franchise to a third-party or purchaser, you must reimburse all of our actual costs for commissions, finder's fees and similar charges.

Notes:

1. "Gross Sales" is defined in our franchise agreement as the total dollar amount of all sales generated through your business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, (iii) sale of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

2. After your Franchised Business has been open and operating for twelve months, a minimum royalty equal to \$125 per week will apply for each Territory in which you have the right to operate (the "Minimum Royalty"). After the twelve month grace period, your Royalty Fee for one Territory will be equal to the greater of: (i) seven percent (7%) of your weekly gross sales; or (ii) a Minimum Royalty of \$125 per week. If you purchase and operate in any additional Territories, the weekly Royalty Fee due will be the greater of the Royalty Rate or the Minimum Royalty applicable based on the number of Territories in which you operate. For avoidance of doubt, the weekly minimum royalty fees per number of Territories and population are below:

Number of Territories	Population	Minimum Weekly Royalty Fee Beginning in 13 th Month
1	250,000 – 499,999	\$125
2	500,000 – 749,999	\$250
3	750,000 – 999,999	\$375
4	1,000,000 – 1,249,999	\$500
5	1,250,000 – 1,499,999	\$625
6	1,500,000 – 1,749,999	\$750
7	1,750,000 – 1,999,999	\$875
8	2,000,000 – 2,249,999	\$1,000
9	2,250,000 – 2,499,999	\$1,125
10	2,500,000 – 2,749,999	\$1,250

3. All fees are payable only to us (other than software subscription charges). All fees are imposed by us and collected by us. All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

**Item 7
Estimated Initial Investment**

YOUR ESTIMATED INITIAL INVESTMENT - FRANCHISE AGREEMENT

Type of expenditure	Amount ¹	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee	\$49,500 - \$49,500	Lump sum	Upon signing the franchise agreement	Us
Rent and Lease Security Deposit (see Note 1)	\$0 - \$3,750	Lump sum	Upon signing lease	Landlord
Utilities	\$0 - \$500	As incurred	As incurred	Utility providers
Leasehold Improvements	\$0 - \$2,000	As incurred	As incurred	Contractors
Market Introduction Program	\$2,000 - \$3,500	Lump sum	As incurred or when billed	Vendors and suppliers
Furniture, Fixtures, and Equipment	\$20,000 - \$35,000	As incurred	As incurred	Vendors and suppliers
Computer Systems	\$299 - \$2,000	As incurred	As incurred	Vendors and suppliers
Insurance	\$500 - \$4,000	Lump sum	Upon ordering	Insurance company
Vehicle (see Note 2)	\$1,000 - \$85,000	Lump sum	Upon purchase	Vendor
Signage	\$0 - \$1,000	Lump sum	Upon ordering	Vendor
Office Expenses	\$0 - \$1,000	As incurred	As incurred	Vendors
Inventory	\$500 - \$5,000	Lump sum	Upon ordering	Vendors
Licenses and Permits	\$300 - \$2,000	Lump sum	Upon application	Government

Dues and Subscriptions	\$100	-	\$1,000	As incurred-typically monthly basis	As incurred	Vendors, trade organizations
Technology Fee (First 3 Months)	\$1,050	-	\$1,050	As incurred typically monthly basis	As incurred	Us
Professional Fees (lawyer, accountant, etc.)	\$1,500	-	\$1,500	As incurred	As incurred	Professional service firms
Travel, lodging and meals for initial training	\$1,000	-	\$2,500	As incurred	During training	Airlines, hotels, and restaurants
Additional funds (for first 3 months) (see Note 3)	\$10,000	-	\$75,000	As incurred	Varies	Employees, suppliers, utilities
Total (See Note 4)	\$87,749	-	\$275,300			

YOUR ESTIMATED INITIAL INVESTMENT – MULTIPLE TERRITORIES

Type of expenditure	Amount			Method of payment	When due	To whom payment is to be made
First franchise (see table above)	\$87,749	-	\$275,300	As incurred	Varies	Varies
Additional initial franchise fees (see Note 3)	\$40,000		\$285,000	Lump sum	Upon signing the franchise agreement	Us
	2	-	10			
	Territories		Territories			
Total	\$127,749	-	\$560,300			

Notes

1. Your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment. Our estimates in this table assume you pay one month rent plus a security deposit before you open for business. For this to occur, you would need to negotiate a “free rent” period for the time it takes to build out your business. We expect that you will rent your location. If you choose to purchase real estate instead of renting, your costs will be significantly different. Your location should be between approximately 100 to 500 square feet with areas to store restoration equipment. If you rent a location to store your equipment, we anticipate the type of location would be located within a storage facility or warehouse.

2. This estimate is to purchase a vehicle and finance with a GPS system for tracking purposes.

3. This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess

of income generated by the business. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of an All Dry business by our affiliate, and our general knowledge of the industry.

4. These estimates are based on our affiliate's experience in developing and operating a business similar to that offered under this Disclosure Document. We do not offer direct or indirect financing for these items. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

Except as described in the footnotes, all fees are uniform and non-refundable.

Item 8 Restrictions On Sources Of Products And Services

Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Real Estate. Your business location is subject to our approval and must meet our specifications. You must use reasonable efforts to have your landlord sign our form of Rider to Lease Agreement.

B. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Manual, which includes (i) "Special" causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible); (ii) Business interruption insurance covering at least 12 months of income; (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit, (iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000, and (v) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days' prior written notice of cancellation.

C. Software. Point-of-sale software and hardware, and related software and hardware. You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify. See Item 11 for more details.

D. Vehicles. Franchisees will use 3 vehicle types: Ford Transit, F250, or any other vehicle we approve at the time any brand box truck.

Us or our Affiliates as Supplier

Neither we nor any affiliate is currently a supplier of any good or service that you must purchase, although we reserve to the right to be a supplier (or the sole supplier) of a good or service in the future.

Ownership of Suppliers

None of our officers owns an interest in any supplier to our franchisees.

Alternative Suppliers

If you want to use a supplier that is not on our list of approved suppliers, you must request our approval in writing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Our criteria for approving suppliers are not available to you. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier. We will provide you with written notification of the approval or disapproval of any supplier you propose within 30 days after receipt of your request. We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Manual.

Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

Revenue to Us and Our Affiliates

We currently do not derive revenue from the required purchases and leases by franchisees. However, the franchise agreement does not prohibit us from doing so.

Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 50% to 80% of your total purchases and leases to establish your business.

We estimate that the required purchases and leases of goods and services to operate your business are 50% to 80% of your total purchases and leases of goods and services to operate your business.

Payments by Designated Suppliers to Us

We do not currently receive payments from any designated suppliers based on purchases by

you or other franchisees. However, the franchise agreement does not prohibit us from doing so.

Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

Negotiated Arrangements

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

Benefits Provided to You for Purchases

We do not provide material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers

Item 9 Franchisee's Obligations

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	§§ 6.1, 6.2	Item 11
b. Pre-opening purchase/leases	§§ 6.2, 6.3	Items 5, 7, 8 and 11
c. Site development and other pre-opening requirements	Article 6	Items 5, 7, 8 and 11
d. Initial and ongoing training	§§ 5.4, 6.4, 7.6	Items 5, 6, 8 and 11
e. Opening	§§ 6.5, 6.6	Items 7, 8 and 11
f. Fees	Article 4, §§ 5.5, 7.8, 8.4, 10.5, 11.2, 11.3, 14.5, 15.2, 16.1, 17.6	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	§§ 6.3, 7.1, 7.3, 7.5, 7.9 – 7.13, 7.15, 10.1, 10.4, 11.1	Items 8, 11 and 14
h. Trademarks and proprietary information	Article 12, § 13.1	Items 13 and 14
i. Restrictions on products/services offered	§ 7.3	Items 8, 11 and 16
j. Warranty and customer service requirements	§§ 7.3, 7.8, 7.9	Item 8

k. Territorial development and sales quotas	§ 2.2	Item 12
l. Ongoing product/service purchases	Article 8	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	§§ 3.2, 7.12, 7.13, 15.2	Items 6, 7 and 8
n. Insurance	§ 7.15	Items 6, 7 and 8
o. Advertising	Article 9	Items 6, 7, 8 and 11
p. Indemnification	Article 16	Items 6 and 8
q. Owner's participation/management/staffing	§ 2.4	Items 15
r. Records and reports	Article 10	Item 11
s. Inspections and audits	§§ 10.5, 11.2	Items 6 and 11
t. Transfer	Article 15	Items 6 and 17
u. Renewal	§ 3.2	Item 17
v. Post-termination obligations	Article 13, § 14.3	Item 17
w. Non-competition covenants	§ 13.2	Item 17
x. Dispute resolution	Article 17	Items 6 and 17

**Item 10
Financing**

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

**Item 11
Franchisor's Assistance, Advertising, Computer Systems, And Training**

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

Our Pre-Opening Obligations

Before you open your business:

A. *Your site.* A location is not required to start or operate the business. You can start by operating the business as a home-based business. Should you choose to operate from an office or warehouse no approval is required.

- (i) We generally do not own your premises.
- (ii) The factors you should consider in sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.

- (iii) We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility.
- B. *Constructing, remodeling, or decorating the premises.* We will provide you with a set of our standard building plans and specifications and/or standard recommended floor plans, and our specifications for required décor. (Franchise Agreement, Section 5.4)
- C. *Hiring and training employees.* We will provide you with our suggested staffing levels, suggested guidelines for hiring employees (Franchise Agreement, Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Franchise Agreement, Section 5.3), and our initial training program described below. Our opening support (as described below) includes assisting you in training employees. All hiring decisions and conditions of employment are your sole responsibility.
- D. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Franchise Agreement, Section 5.4) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.
- E. *Operating Manual.* We will give you access to our Operating Manual (Franchise Agreement, Section 5.1).
- F. *Initial Training Program.* We will conduct our initial training program. (Franchise Agreement, Section 5.4). The current initial training program is described below.
- G. *Business plan review.* If you request, we will review your pre-opening business plan and financial projections. (Franchise Agreement, Section 5.4)
- H. *Market introduction plan.* We will advise you regarding the planning and execution of your market introduction plan. (Franchise Agreement, Section 5.4)
- I. *On-site opening support.* We may, in our sole discretion, have a representative provide on-site support for at least 3 days in connection with your business opening. (Franchise Agreement, Section 5.4)

Length of Time to Open

The typical length of time between signing the franchise agreement and the opening of your business is 30-90 days. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your location, obtain business permits and licenses, and hire employees.

Our Post-Opening Obligations

After you open your business:

- A. *Developing products or services you will offer to your customers.* Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.
- B. *Hiring and training employees.* We will provide you with our suggested staffing levels, suggested guidelines for hiring employees (Franchise Agreement, Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Franchise Agreement, Section 5.3). All hiring decisions and conditions of employment are your sole responsibility.
- C. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently \$600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Franchise Agreement, Section 5.5)
- D. *Establishing prices.* Upon your request, we will provide recommended prices for products and services. (Franchise Agreement, Section 5.5).
- E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our recommended procedures for administration, bookkeeping, accounting, and inventory control (Franchise Agreement, Section 5.5). We may make any such procedures part of required (and not merely recommended) procedures for our system.
- F. *Marketing Fund.* We will administer the Marketing Fund (Franchise Agreement, Section 5.5). We will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of our fiscal year and will provide the financial statement to you upon request. (Franchise Agreement, Section 9.3)
- G. *Website.* We will maintain a website for the All Dry brand, which will include your business information and telephone number. (Franchise Agreement, Section 5.5)

Advertising

Our obligation. We will use the Brand Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which will be paid for by the Marketing Fund). We have no other obligation to conduct advertising.

Local Advertising. Each month, you must spend at least 4% of your monthly Gross Sales on local advertising and marketing for your All Dry business. You may use your own advertising or marketing material only with our approval. (Franchise Agreement, Section 9.1) To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond within 7 Days from receipt, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

Advertising council. We do not have an advertising council composed of franchisees. The franchise agreement does not give us the power to form an advertising council.

Local or Regional Advertising Cooperatives. We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% and not more than 2% of gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged. (Franchise Agreement, Section 9.4)

Brand Fund. You and all other franchisees must contribute to our Marketing Fund. Your contribution is 1% of gross sales per week. We reserve the right to have other franchisees contribute a different amount or at a different rate. Outlets that we own are not obligated to contribute to the Marketing Fund. We administer the fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request. (Franchise Agreement, Section 9.3)

During the fiscal year ending December 31, 2022, we spent \$128,654 in Marketing Fund expenses as follows: 5.9% on Media Production (\$7,654.00) and 94.1% on Media Placement (\$121,000.00).

If less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

No money from the Marketing Fund is spent principally to solicit new franchise sales.

Market introduction plan. You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business. (Franchise Agreement, Section 9.6)

Point of Sale and Computer Systems

We require you to buy (or lease) and use a point-of-sale system and computer system as follows which could change at any time:

- A. Service Titan
- B. Smartphone, Laptop or iPad, Desktop Computer

The system provides management tools, operating systems and programs which will be used to operate the day to day business. These systems will generate or store data such as sales.

We estimate that these systems will cost between \$299 and \$1000 to purchase.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do not require you enter into any such contract with a third party.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be \$350 monthly.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

Operating Manual

See Exhibit E for the table of contents of our Operating Manual as of the date this disclosure document, with the number of pages devoted to each subject. The total number of pages in the Operating Manual is 208.

Training Program

Our training program consists of the following in corporate office training, zoom training and in your location training:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Introduction to the business - Background on Global - History of the Restoration industry - What the market looks like today	8	-	Classroom or Zoom: Jupiter, FL
Establishing your Business - Equipment - Insurance - Getting your office set up - Vehicle Set Up Building your staff	8	4	Classroom: Jupiter, FL

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Marketing and Business Development - Building your Referral Base - Setting up lead generation processes - Collateral materials - Understanding the Sales Process - Knowing how to close the sale	8	16	Classroom: Jupiter, FL
Finance - Working with insurance companies - Understanding billing - Managing your Cashflow - How to pay your staff and team Where to spend marketing dollars	8	16	Classroom: Jupiter, FL
Building your Team - Working with the Franchisor - Where to recruit - How to compensate your staff Job positions and training for new staff	8	4	Classroom: Jupiter, FL
TOTALS:	40	40	

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes three to six times per year. Training will be held at our offices and business location in Jupiter, Florida. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the initial training program.

The instructional materials consist of the Operating Manual and other materials, lectures, discussions, and on-the-job demonstration and practice.

Training classes will be led or supervised by Mr. Lupe Barrera. He has served as the operations manager of our affiliate, All Dry Services, LLC, since January 2013. He has 17 years of experience in our industry, and 2 years of experience with us or our affiliates.

There is no fee to attend training. You must request our approval if you desire to have more than 3 people attend training. You must pay the travel and living expenses of people attending training.

You must attend training. You may send any additional persons to training that you want (up to the maximum described above). You must complete training to our satisfaction at least four weeks before opening your business.

Your business must at all times be under your on-site supervision or under the on-site supervision of a general manager who has completed our training program. If you need to send a new

general manager to our training program, we will charge a fee, which is currently \$350 per day. Otherwise, we do not currently require additional training programs, refresher courses, conference, or seminars but we have the right to do so.

Item 12 Territory

Your Location

Your franchise is for a specific location. We will work with you to define that territory. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval.

Grant of Territory

Your franchise agreement will specify a territory, Your territory will have a population of approximately 250,000 people. You may purchase a larger territory for a higher initial franchise fee. Your territory will usually be specified by specific boundaries, such as counties or other political boundaries, streets, geographical features, zip codes, or trade areas. Additional Population can initially be purchased based off of mapping software used by us for \$.20 per person up to the number of people for the next size of territory.

Relocation; Establishment of Additional Outlets

You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control.

Territory Protection

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. During the term of your franchise agreement, we will not establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks as an All Dry outlet within your territory. The continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency. There are no circumstances that permit us to modify your territorial rights other than as described below where more than 10% of your business during any 12-month period comes from outside of your territory. You will concentrate your marketing efforts within your territory. Other franchisees are restricted from soliciting business and directly marketing their services within your territory, but we and other franchisees may accept work and perform services in your territory without paying you any compensation.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

We will use good-faith effort to not solicit or accept orders from consumers inside your territory.

Soliciting by You Outside Your Territory

If more than 10% of your business in a 12 month period is from outside your territory outlined in your Franchise Agreement, you will be required to purchase the territory at the then current price. You cannot solicit or service business in a territory owned by another franchise or corporate owned locations.



Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

**Item 13
Trademarks**

Principal Trademark

The following is the principal trademark that we license to you. We do have a federal registration for our principal trademark. Therefore, our trademark has many legal benefits and rights as a federally registered trademark. Both trademarks are registered on the Principal Register.

Trademark	Application/Registration Date	Identification Number
	<p>Registration Date: May 19, 2020</p>	<p>Registration Number: 88652939</p>
	<p>Application Date: November 12, 2020</p>	<p>Serial Number: 90314766*</p>

*We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

Agreements

There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise.

Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense.

Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

Item 14 Patents, Copyrights And Proprietary Information

Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Operating Manual as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights. If we do this, you must comply with our request within a reasonable time after receiving notice.

We do not know of any copyright infringement that could materially affect you.

Proprietary Information

We have a proprietary, confidential Operating Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Operating Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

Item 15

Obligation To Participate In The Actual Operation Of The Franchise Business

Your Participation

You are not required to participate personally in the direct operation of your business. However, we recommend that you participate.

You must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty

and Non-Compete Agreement (see Attachment 3 to Exhibit B). We do not require your spouse to guaranty your performance.

“On-Premises” Supervision

You are not required to personally conduct “on-premises” supervision (that is, act as general manager) of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the general manager own any equity in the entity.

Restrictions on Your Manager

If we request, you must have your general manager sign a confidentiality and non-compete agreement. We do not require you place any other restrictions on your manager.

Item 16 Restrictions On What The Franchisee May Sell

You must offer for sale only goods and services that we have approved. You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make changes. We do not restrict your access to customers, except that all sales must be made at or from your premises.

Item 17 Renewal, Termination, Transfer, And Dispute Resolution

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Franchise Agreement (FA): § 3.1	10 years from date of franchise agreement.

Provision	Section in franchise or other agreement	Summary
b. Renewal or extension of the term	FA: § 3.2	You may obtain two successor franchise terms of 10 years each.
c. Requirements for franchisee to renew or extend	FA: § 3.2	<p>For our franchise system, “renewal” means that at the end of your term, you sign our successor franchise agreement for an additional 5-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.</p> <p>To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; renovate to our then-current standards; sign then-current form of franchise agreement and related documents (including personal guaranty); sign general release (unless prohibited by applicable law) and pay us a \$10,000 renewal fee at each renewal.</p>
d. Termination by franchisee	FA: § 14.1	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	FA: § 14.2	We may terminate your agreement for cause, subject to any applicable notice and cure opportunity.

Provision	Section in franchise or other agreement	Summary
g. "Cause" defined--curable defaults	FA: § 14.2	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure).
h. "Cause" defined--non-curable defaults	FA: § 14.2	Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross- termination; charge or conviction of a felony, or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.
i. Franchisee's obligations on termination/non-renewal	FA: §§ 14.3 – 14.6	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us.
j. Assignment of contract by franchisor	FA: § 15.1	Unlimited
k. "Transfer" by franchisee - defined	FA: Article 1	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.

Provision	Section in franchise or other agreement	Summary
l. Franchisor's approval of transfer by franchisee	FA: § 15.2	No transfers without our approval.
m. Conditions for franchisor's approval of transfer	FA: § 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you've made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications (including remodel, if applicable). Franchisee must pay all broker commissions.
n. Franchisor's right of first refusal to acquire franchisee's business	FA: § 15.5	If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a 30 day option to purchase business on the same terms as your potential buyer.
o. Franchisor's option to purchase franchisee's business	FA: § 14.6	When your agreement expires or is terminated, Franchisor will have the right, but not the obligation, to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to AD2019 Franchise. To exercise this option, AD2019 Franchise must notify Franchisee no later than 30 days after this Agreement expires or is terminated.
p. Death or disability of franchisee	FA: §§ 2.4, 15.4	If you die or become incapacitated, a new principal operator acceptable to us must be designated to operate the business, and your executor must transfer the business to a third party within nine months.

Provision	Section in franchise or other agreement	Summary
q. Non-competition covenants during the term of the franchise	FA: § 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, or be engaged or employed by, any water or mold remediation business.
r. Non-competition covenants after the franchise is terminated or expires	FA: § 13.2	For two years, no ownership or employment by a competitor located within five miles of your former territory or the territory of any other All Dry business operating on the date of termination.
s. Modification of the agreement	FA: § 18.4	No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	FA: § 18.3	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	FA: § 17.1	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	FA: §§ 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Jupiter, Florida) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).

Provision	Section in franchise or other agreement	Summary
w. Choice of law	FA: § 18.8	Florida (subject to applicable state law).

For additional disclosures required by certain states, refer to Exhibit H - State Addenda to Disclosure Document

**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 document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Section I – Corporate Outlet

Our affiliate, All Dry Services, LLC, has operated a business of the type offered in this Disclosure Document in Jupiter, Florida since April of 2014 (the “Corporate Outlet”). The Corporate Outlet operated continuously from January 1, 2022 to December 31, 2022 (the “2022 Calendar Year”) and provided services within an area consisting of an estimated 370,000 people, which is approximately equal to one and a half territories under this Disclosure Document.

The Corporate Outlet did not pay us an initial franchise fee and has not paid us royalty fees or brand marketing fund fees. The Corporate Outlet also maintains a physical location for its business and incurs applicable expenses for rent (“Facility Rent”) and utilities (“Utilities”). Our franchisees are not required to obtain a physical location and are expected to operate their franchises from their homes. The Corporate Outlet’s Insurance expense in the chart below includes approximately \$15,572.78 related to the owner’s personal insurance policies. Other than these differences, there are no material differences between the Corporate Outlet and the franchise concept offered under this Disclosure Document.

The chart below includes the Corporate Outlet’s actual, historical Gross Revenue earned and certain Disclosed Expenses incurred during the 2022 Calendar Year. The Imputed Royalty Fees and Imputed Brand Fund Fees are not historical data but have been calculated as seven percent (7%) and one percent (1%) of

the Corporate Outlet's Gross Revenue and imputed into the chart.

Corporate Outlet Profit & Loss Statement 2022 Calendar Year		
	Total	Percentage of Gross Revenue
Gross Revenue	\$ 2,306,733	100%
Disclosed Expenses		
Advertising/Marketing/Referrals	\$ 47,248	2.05%
Materials/Equipment Rental	\$ 108,642	4.71%
Payroll & Fees	\$ 1,024,021	44.39%
Education: Tuition & Seminars	\$ 2,500	0.11%
Equipment Repairs and Maintenance	\$ 932	0.04%
Vehicle Repairs and Maintenance	\$ 3,615	0.16%
Fuel - Vehicles	\$ 45,804	1.99%
Insurance - Vehicle and G/L	\$ 58,582	2.54%
Permits and Licenses	\$ 1,305	0.06%
Communications	\$ 8,970	0.39%
Accounting & Audit Fees	\$ 16,440	0.71%
Bank Fees	\$ 2,372	0.10%
Imputed Royalty Fees	\$ 161,472	7.00%
Imputed Brand Fund Fees	\$ 23,067	1.00%
Total Disclosed Expenses	\$ 1,504,970	65.24%
Gross Revenue Less Disclosed Expenses	\$ 801,763	34.76%
Utilities	\$ 23,451	1.02%
Facility Rent	\$ 13,874	0.60%
Gross Revenue Less Disclosed Expenses & Utilities and Rent	\$ 764,438	33.14%

Section II – Franchised Outlets

As of December 31, 2021, there were forty-seven (47) All Dry franchised businesses open and operating. During the 2022 Calendar Year, three (3) franchised businesses underwent transfers and were acquired by other franchised business, seven (7) franchised businesses did not operate for the entire year, one (1) franchised business closed during the year, and one (1) franchised business did not submit sufficient documentation for us to disclose its Gross Revenue in this Item 19. The remaining thirty-five (35) All Dry franchised businesses operated continuously during the 2022 Calendar Year (the “Franchised Outlets”). The Franchised Outlets ranged in size from two (2) to nine (9) Territories with an average of 4.3 Territories.

We have disclosed the actual, historical Gross Revenue earned by the Franchised Outlets during the 2022 Calendar Year in the chart below.

Franchised Outlet Gross Revenue				
2022 Calendar Year				
Franchised Outlets	All (35 Outlets)	Top Third (12 Outlets)	Middle Third (12 Outlets)	Bottom Third (11 Outlets)
Average Gross Revenue	\$362,675.20	\$662,694.73	\$304,015.13	\$138,986.68
Median Gross Revenue	\$297,810.70	\$579,028.05	\$294,606.85	\$138,154.40
High Gross Revenue	\$1,170,553.00	\$1,170,553.00	\$438,161.50	\$186,493.30
Low Gross Revenue	\$72,038.33	\$445,883.70	\$213,227.90	\$72,038.33
Number and Percentage of Outlets that Met or Exceeded the Average Gross Revenue	14 Outlets (40%)	2 Outlets (16.7%)	4 Outlets (33.3%)	4 Outlets (36.4%)

General Notes to this Item 19

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

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

“Gross Revenue” means all revenue received by the applicable corporate outlet or franchised business with no deductions. “Gross Revenue” does not include any sales taxes or related taxes collected by our corporate outlet or franchised outlets to be paid to any governmental authorities.

The Gross Revenue data in this Item 19 was reported to us by our affiliate and the Franchised Outlets through their accounting software and has not been audited or independently verified by us.

Other than the above representation, we do not make any representations about a franchisee’s future financial performance or the past financial performance of affiliate-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 our management by contacting our Managing Partner, Lupe Barrera, 582 US Hwy 1, Tequesta FL 33469, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20
Outlets And Franchisee Information**

**Table 1
Systemwide Outlet Summary
For years 2020 to 2022**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	0	1	+1
	2021	1	47	+46
	2022	47	110	+63
Company-Owned	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
Total Outlets	2020	1	2	+1
	2021	2	48	+46
	2022	48	111	+63

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
GA	2020	0
	2021	0
	2022	1
MA	2020	0
	2021	0
	2022	2
Totals	2020	0
	2021	0
	2022	1

Note: All three of these transfers resulted in the purchasing franchisees “adding on” the selling franchisees’ territories to their existing franchises, resulting in a net loss of one outlet per transfer.

Table 3
Status of Franchised Outlets
For years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
AL	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
AR	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
AZ	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	1	0	0	0	0	3
CA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	5	0	0	0	0	5
CO	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	2	0	0	0	0	4
CT	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
DE	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
FL	2020	0	1	0	0	0	0	1
	2021	1	5	0	0	0	0	6
	2022	6	10	1	0	0	0	15
GA	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2

	2022	2	1	0	0	0	1 ¹	2
ID	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
IL	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
IN	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
KS	2020	0	0	0	0	0	0	0
	2021	0	1 ²	0	0	0	0	1
	2022	1	1	0	0	0	0	2
KY	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
LA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MA	2020	0	0	0	0	0	0	0
	2021	0	4	0	0	0	0	4
	2022	4	0	0	0	0	2 ¹	2
ME	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MI	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	3	0	0	0	0	4
MN	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1

	2022	1	0	0	0	0	0	1
MO	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
NC	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	3	0	0	0	0	6
NE	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NJ	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	4	0	0	0	0	6
NV	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NY	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
OH	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
OK	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
OR	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
PA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

	2022	0	5	0	0	0	0	5
RI	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1 ³	0	0	0	0	1
SC	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	2	0	0	0	0	3
TN	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	3	0	0	0	0	4
TX	2020	0	0	0	0	0	0	0
	2021	0	12	0	0	0	0	12
	2022	12	7	1	0	0	1	17
UT	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
VA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
Totals	2020	0	1	0	0	0	0	1
	2021	1	46	0	0	0	0	47
	2022	47	69	2	0	0	4	110

Notes:

1. All three of these outlets were the result of transfers in which an existing franchise outlet purchased the territories of another franchise outlet and added such territories on to their existing franchise, resulting in a net loss of one franchise outlet per transfer.
2. This franchisee operates the same All Dry Franchised Business in both Kansas and Missouri.
3. This franchisee operates the same All Dry Franchised Business in both Rhode Island and Connecticut.

Table 4
Status of Company-Owned Outlets
For years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Florida	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Totals	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

**Table 5
Projected Openings as Of December 31, 2022**

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in The Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	2	0
California	5	2	0
Colorado	0	1	0
Delaware	0	1	0
Florida	1	7	0
Georgia	1	1	0
Iowa	1	1	0
Louisiana	1	1	0
Michigan	2	2	0
Mississippi	0	1	0
Missouri	1	1	0
New Jersey	0	2	0
New York	1	1	0

North Carolina	0	1	0
Ohio	1	1	0
Oklahoma	0	1	0
Oregon	0	2	0
Pennsylvania	0	3	0
South Carolina	1	1	0
Tennessee	0	3	0
Texas	0	5	0
Virginia	1	3	0
Totals	16	43	0

Current Franchisees

Exhibit F contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

Former Franchisees

Exhibit F contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date.

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

Confidentiality Clauses

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

Item 21 Financial Statements

Exhibit D contains our audited financial statements for the fiscal years ended December 31, 2022, December 31, 2021, and December 31, 2020. Our fiscal year end is December 31. Exhibit D also contains our unaudited balance sheet as of March 31, 2023 and our unaudited profit and loss

statement from January 1, 2023 to March 31, 2023.

Item 22
Contracts

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
- H. State Addenda to Agreements (with State Lease Riders)

Item 23
Receipts

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.

Exhibit A
State Administrators and Agents For Service Of Process

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

State	State Administrator	Agent for Service of Process (if different from State Administrator)
California	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 2101 Arena Boulevard Sacramento, CA 95834 866-275-2677	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, HI 96810 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681	
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, MD 21202-2020

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (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) 462-9527	
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	Director of the Division of Insurance 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, WI 53701 (608) 266-2801	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, WI 53703

**Exhibit B
Franchise Agreement**



FRANCHISE AGREEMENT

SUMMARY PAGE	
1. Franchisee	_____
2. Initial Franchise Fee	\$_____
3. Territory	See Map and Zip Codes in Attachment 4
4. Number of Territories	_____
5. Opening Deadline	No later than 6 months from signing the Franchise Agreement unless otherwise approved by Franchisor
6. Principal Executive	_____
7. Franchisee's Address	_____
8. Franchisee's State(s) of Residence	_____
9. State(s) in which the Franchise will be Operated	_____

Franchise Agreement

This Agreement is made between AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”), and Franchisee effective as of the date signed by AD2019 Franchise (the “Effective Date”).

Background Statement:

- A. AD2019 Franchise and its affiliate have created and own a system (the “System”) for developing and operating a business that provides disaster restoration services and cleanup services, including fire damage restoration, smoke damage restoration, flood damage restoration, storm damage restoration, biohazard removal, leak detection, mold cleanup and inspection, sewage cleanup, odor removal, and trauma and crime scene cleanup under the trade name “All Dry”.
- B. The System includes (1) methods, procedures, and standards for developing and operating an All Dry business, (2) plans, specifications, equipment, signage and trade dress for All Dry businesses, (3) particular products and services, (4) the Marks, (5) training programs, (6) business knowledge, (7) marketing plans and concepts, and (8) other mandatory or optional elements as determined by AD2019 Franchise from time to time.
- C. The parties desire that AD2019 Franchise license the Marks and the System to Franchisee for Franchisee to develop and operate an All Dry business on the terms and conditions of this Agreement.

ARTICLE 1. Definitions

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by AD2019 Franchise.

“**Business**” means the All Dry business owned by Franchisee and operated under this Agreement.

“**Competitor**” means any business which offers restoration and dry out services for residential or commercial customers.

“**Confidential Information**” means all non-public information of or about the System, AD2019 Franchise, and any All Dry business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

“**Gross Sales**” means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected by Franchisee, (iii) sales of used equipment not in the ordinary course of business, or (iv) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales).

“**Input**” means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and

software, real estate, or comparable items related to establishing or operating the Business.

“Location” means the location stated on the Summary Page. If no location is stated on the Summary Page, then the Location will be determined in accordance with Section 6.1.

“Losses” includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys’ fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of AD2019 Franchise’s reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the 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.

“Manual” means AD2019 Franchise’s confidential Operating Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

“Marketing Fund” means the fund established (or which may be established) by AD2019 Franchise into which Marketing Fund Contributions are deposited.

“Marks” means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by AD2019 Franchise from time to time for use in an All Dry business.

“Owner” means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

“Remodel” means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new All Dry business.

“Required Vendor” means a supplier, vendor, or distributor of Inputs which AD2019 Franchise requires franchisees to use.

“System Standards” means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by AD2019 Franchise, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

“Territory” means the territory stated on the Summary Page. If no territory is stated on the Summary Page, then the Territory is determined in accordance with Section 6.1.

“Transfer” means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in the Business, or (iv) control of the Business.

ARTICLE 2. Grant Of License

- 2.1 **Grant.** AD2019 Franchise grants to Franchisee the right to operate an All Dry business within the territory or territories stated on the Summary Page and/or in a map attached hereto in Attachment 4. Franchisee shall develop, open, and operate an All Dry business within the Territory for the entire term of this Agreement.
- 2.2 **Territory.** AD2019 Franchise and its franchisees, including Franchisee, may service customers anywhere. Franchisee shall not market in another territory unless AD2019 Franchise first approves in writing. Franchisee may not solicit orders from consumers outside Franchisee's territory.
- 2.3 **Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner's interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify AD2019 Franchise within 10 days.
- 2.4 **Principal Executive.** Franchisee agrees that the person designated as the "Principal Executive" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to AD2019 Franchise's reasonable approval.
- 2.5 **Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to AD2019 Franchise, in the form of Attachment 3.
- 2.6 **No Conflict.** Franchisee represents to AD2019 Franchise that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.
- 2.7 **DBA Requirement.** Franchisee must, to the extent possible within Franchisee's Territory(ies), register a "Doing Business As" or similar type of fictitious business name with Franchisee's local municipality. Franchisee's fictitious business name shall be "All Dry of _____", or as otherwise designated by Franchisor, and Franchisee shall not use any other fictitious business name for the Franchised Business. Franchisee shall provide Franchisor with proof of its fictitious name filing upon Franchisor's request.

ARTICLE 3. Term

- 3.1 **Term.** This Agreement commences on the Effective Date and continues for ten (10) years.
- 3.2 **Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement for up to two (2) additional periods of ten (10) years each, subject to

the following conditions prior to each expiration:

- (i) Franchisee notifies AD2019 Franchise of the election to renew between 90 and 180 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with AD2019 Franchise (or any of its affiliates) at the time of election and at the time of renewal;
- (iii) Franchisee has made or agrees to make (within a period of time acceptable to AD2019 Franchise) renovations and changes to the Business as AD2019 Franchise requires (including a Remodel, if applicable) to conform to the then-current System Standards;
- (iv) Franchisee and its Owners execute AD2019 Franchise’s then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that Franchisee will not pay another initial franchise fee and will not receive more renewal or successor terms than described in this Section;
- (v) Franchisee pays AD2019 Franchise a renewal fee of ten thousand dollars (\$10,000.00); and
- (vi) Franchisee and each Owner executes a general release (on AD2019 Franchise’s then-standard form) of any and all claims against AD2019 Franchise, its affiliates, and their respective owners, officers, directors, agents and employees.

ARTICLE 4. FEES

- 4.1 **Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. This initial franchise fee is not refundable.
- 4.2 **Royalty Fee.** Franchisee shall pay AD2019 Franchise a weekly royalty fee (the “Royalty Fee”) equal to 7% of Gross Sales. The Royalty Fee for any given week is due on the first Tuesday of the following week. Beginning in the thirteenth (13th) month after the Effective Date of this Franchise Agreement, Franchisee’s Royalty Fee payable to Franchisor as described herein shall be a minimum of \$125 per week per Territory. For avoidance of doubt, Franchisee’s minimum weekly Royalty Fee shall be according to the table below:

Number of Territories	Population	Minimum Weekly Royalty Fee Beginning in 13 th Month
1	250,000 – 499,999	\$125
2	500,000 – 749,999	\$250
3	750,000 – 999,999	\$375
4	1,000,000 – 1,249,999	\$500
5	1,250,000 – 1,499,999	\$625
6	1,500,000 – 1,749,999	\$750

7	1,750,000 – 1,999,999	\$875
8	2,000,000 – 2,249,999	\$1,000
9	2,250,000 – 2,499,999	\$1,125
10	2,500,000 – 2,749,999	\$1,250

4.3 Marketing Contributions.

- (a) Marketing Fund Contribution. Franchisee shall pay AD2019 Franchise a contribution to the Marketing Fund (the “Marketing Fund Contribution”) equal to 1% of Franchisee’s Gross Sales (or such lesser amount as AD2019 Franchise determines), at the same time as the Royalty Fee.
- (b) Market Cooperative Contribution. If the Business participates in a Market Cooperative, then Franchisee shall contribute to the Market Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative.

4.4 Replacement/Additional Training Fee. If Franchisee sends an employee to AD2019 Franchise’s training program after opening, AD2019 Franchise may charge its then- current training fee. As of the date of this Agreement, the training fee is \$350 per day.

4.5 Non-Compliance Fee. AD2019 Franchise may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than Franchisee’s non-payment of a fee owed to AD2019 Franchise) which Franchisee fails to cure after 30 days’ notice. Thereafter, AD2019 Franchise may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of AD2019 Franchise’s internal cost of personnel time attributable to addressing the non- compliance, and it is not a penalty or estimate of all damages arising from Franchisee’s breach. The non-compliance fee is in addition to all of AD2019 Franchise’s other rights and remedies (including default and termination under Section 14.2).

4.6 Customer Relationship Management Software. Franchisee must, at Franchisee’s own cost, use the customer relationship management software that we designate from time to time. Franchisee must pay the then-current fee for the customer relationship management software either to us or directly to the software provider in our discretion and as we direct.

4.7 Reimbursement. AD2019 Franchise may (but is never obligated to) pay on Franchisee’s behalf any amount that Franchisee owes to a supplier or other third party. If AD2019 Franchise does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to AD2019 Franchise within 15 days after invoice by AD2019 Franchise accompanied by reasonable documentation.

4.8 Payment Terms.

- (a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, and any other amounts owed to AD2019 Franchise by pre-authorized bank draft or in such other manner as AD2019 Franchise may require. Franchisee shall comply with AD2019 Franchise’s payment instructions.
- (b) Calculation of Fees. Franchisee shall report weekly Gross Sales to AD2019 Franchise by Tuesday of the following week. If Franchisee fails to report weekly

Gross Sales, then AD2019 Franchise may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 125% of the last Royalty Fees and Marketing Fund Contributions reported to AD2019 Franchise, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that AD2019 Franchise has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.

- (c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).
- (d) Insufficient Funds. AD2019 Franchise may charge \$30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).
- (e) Costs of Collection. Franchisee shall repay any costs incurred by AD2019 Franchise (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.
- (f) Application. AD2019 Franchise may apply any payment received from Franchisee to any obligation and in any order as AD2019 Franchise may determine, regardless of any designation by Franchisee.
- (g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to AD2019 Franchise any fees or amounts described in this Agreement are not dependent on AD2019 Franchise's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

4.9 **Technology Fee.** Upon Franchisee commencing operation and continuing monthly thereafter, Franchisee shall pay AD2019 Franchise the then-current monthly technology fee set forth by AD2019 Franchise (the "Tech Fee"). The Tech Fee shall be due and payable at the same time and by the same method as the Royalty Fee, and AD2019 Franchise may, in its sole discretion, increase or decrease the Tech Fee upon notice to Franchisee.

ARTICLE 5. Assistance

- 5.1 **Manual.** AD2019 Franchise shall make its Manual available to Franchisee.
- 5.2 **Assistance in Hiring Employees.** AD2019 Franchise shall provide its suggested staffing levels to Franchisee. AD2019 Franchise shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.
- 5.3 **Assistance in Training Employees.** AD2019 Franchise shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.
- 5.4 **Pre-Opening Assistance.**
 - (a) Selecting Location. AD2019 Franchise shall provide its criteria for All Dry locations

to Franchisee. AD2019 Franchise will review and advise Franchisee regarding potential locations submitted by Franchisee.

- (b) Pre-Opening Plans, Specifications, and Vendors. Within a reasonable period of time after the Effective Date, AD2019 Franchise shall provide Franchisee with (i) AD2019 Franchise's sample set of standard building plans and specifications and/or standard recommended floor plans; (ii) the applicable System Standards, (iii) other specifications as AD2019 Franchise deems appropriate (which may include specifications regarding inventory, supplies, materials, and other matters), and (iv) AD2019 Franchise's lists of Approved Vendors and/or Required Vendors.
- (c) Business Plan Review. If requested by Franchisee, AD2019 Franchise shall review and advise on Franchisee's pre-opening business plan and financial projections. **Franchisee acknowledges that AD2019 Franchise accepts no responsibility for the performance of the Business.**
- (d) Pre-Opening Training. AD2019 Franchise shall make available its standard pre-opening training to the Principal Executive and up to 2 other employees, at AD2019 Franchise's headquarters and/or at an All Dry business designated by AD2019 Franchise. AD2019 Franchise shall not charge any fee for this training. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses. AD2019 Franchise reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.
- (e) Market Introduction Plan. AD2019 Franchise shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.
- (f) On-Site Opening Assistance. AD2019 Franchise may, in our sole discretion, have a representative support Franchisee's business opening with at least 3 days of onsite opening training and assistance.

5.5 **Post-Opening Assistance.**

- (a) Advice, Consulting, and Support. If Franchisee requests, AD2019 Franchise will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent AD2019 Franchise deems reasonable. If AD2019 Franchise provides in-person support in response to Franchisee's request, AD2019 Franchise may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).
- (b) Pricing. Upon request, AD2019 Franchise will provide recommended prices for products and services offered by franchisees of the System.
- (c) Procedures. AD2019 Franchise will provide Franchisee with AD2019 Franchise's recommended administrative, bookkeeping, accounting, and inventory control procedures. AD2019 Franchise may make any such procedures part of required (and not merely recommended) System Standards.

- (d) Marketing. AD2019 Franchise shall manage the Marketing Fund.
- (e) Internet. AD2019 Franchise shall maintain a website for All Dry, which will include Franchisee's location (or territory) and telephone number.

ARTICLE 6. Location, Development, And Opening

- 6.1 **Determining Location and Territory.** If the Location and Territory are not stated on the Summary Page:
- (i) Franchisee shall find a potential Location within the Development Area described on the Summary Page. Franchisee shall submit its proposed Location to AD2019 Franchise for acceptance, with all related information AD2019 Franchise may request. If AD2019 Franchise does not accept the proposed Location in writing within 30 days, then it is deemed rejected.
 - (ii) When AD2019 Franchise accepts the Location, it shall issue a Location Acceptance Letter in the form of Attachment 2 which states the Location and Territory. AD2019 Franchise shall determine the Territory in its good faith discretion, substantially in accordance with Item 12 of the Franchise Disclosure Document.
 - (iii) **AD2019 Franchise's advice regarding or acceptance of a site is not a representation or warranty that the Business will be successful, and AD2019 Franchise has no liability to Franchisee with respect to the location of the Business.**
- 6.2 **Lease.** In connection with any lease between Franchisee and the landlord of the Location: (i) if requested by AD2019 Franchise, Franchisee must submit the proposed lease to AD2019 Franchise for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the lease in the form required by AD2019 Franchise.
- 6.3 **Development.** Franchisee shall construct (or remodel) and finish the Location in conformity with AD2019 Franchise's System Standards. Franchisee shall not begin any construction or remodeling work without first obtaining AD2019 Franchise's approval of Franchisee's plans. AD2019 Franchise may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by AD2019 Franchise or its representatives regarding any architectural, engineering, or legal matters (including without limitation the Americans With Disabilities Act) in the development and construction of the Business, and AD2019 Franchise assumes no liability with respect thereto. AD2019 Franchise's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering, or legal standards.
- 6.4 **New Franchisee Training.** Franchisee's Principal Executive must complete AD2019 Franchise's training program for new franchisees to AD2019 Franchise's satisfaction at least four weeks before opening the Business.
- 6.5 **Conditions to Opening.** Franchisee shall notify AD2019 Franchise at least 30 days before

Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) AD2019 Franchise has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of AD2019 Franchise's required pre-opening training; and (7) AD2019 Franchise has given its written approval to open, which will not be unreasonably withheld.

- 6.6 **Opening Date.** Franchisee shall open the Business to the public within six months of signing this Franchise Agreement.

ARTICLE 7. OPERATIONS

- 7.1 **Compliance with Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards.
- 7.2 **Compliance with Law.** Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.
- 7.3 **Products, Services, and Methods of Sale.** Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by AD2019 Franchise in the Manual or otherwise in writing. Franchisee shall make sales only to retail customers, and only at the Location. Unless otherwise approved or required by AD2019 Franchise, Franchisee shall not make sales by any other means, including without limitation by wholesale, by delivery, by mail order or over the internet, or at temporary or satellite locations. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that AD2019 Franchise may require.
- 7.4 **Prices.** Notwithstanding any provision of this Agreement or the Manual to the contrary, Franchisee retains the sole discretion to determine the prices it charges for products and services.
- 7.5 **Personnel.**
- (a) **Management.** The Business must at all times be under the on-site supervision of the Principal Executive or a general manager who has completed AD2019 Franchise's training program.
 - (b) **Service.** Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.
 - (c) **Appearance.** Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.
 - (d) **Qualifications.** AD2019 Franchise may set minimum qualifications for categories of

employees employed by Franchisee.

- (e) **Sole Responsibility.** Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and AD2019 Franchise are not joint employers, and no employee of Franchisee will be an agent or employee of AD2019 Franchise. Within seven days of AD2019 Franchise's request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not AD2019 Franchise) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

- 7.6 **Post-Opening Training.** AD2019 Franchise may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by AD2019 Franchise. AD2019 Franchise may charge a reasonable fee for any training programs. AD2019 Franchise may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Principal Executive or any other employee, then Franchisee shall pay all travel, living and other expenses.
- 7.7 **Software.** Without limiting the generality of [Section 7.1](#) or [Section 8.1](#), Franchisee shall acquire and use all software and related systems required by AD2019 Franchise. Franchisee shall enter into any subscription and support agreements that AD2019 Franchise may require. Franchisee shall upgrade, update, or replace any software from time to time as AD2019 Franchise may require. Franchisee shall protect the confidentiality and security of all software systems, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give AD2019 Franchise unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by AD2019 Franchise.
- 7.8 **Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any customer complaints. AD2019 Franchise may take any action it deems appropriate to resolve a customer complaint regarding the Business, and AD2019 Franchise may require Franchisee to reimburse AD2019 Franchise for any expenses.
- 7.9 **Evaluation and Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by AD2019 Franchise for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. AD2019 Franchise shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by AD2019 Franchise for such programs.
- 7.10 **Payment Systems.** Franchisee shall accept payment from customers in any form or manner designated by AD2019 Franchise (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by AD2019 Franchise. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

- 7.11 **Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by AD2019 Franchise, in the manner specified by AD2019 Franchise in the Manual or otherwise in writing. Franchisee shall comply with all procedures and specifications of AD2019 Franchise related to customer loyalty, membership/subscription, or customer incentive programs.
- 7.12 **Maintenance and Repair.** Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as AD2019 Franchise may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.
- 7.13 **Remodeling.** In addition to Franchisee’s obligations to comply with all System Standards in effect from time to time, AD2019 Franchise may require Franchisee to undertake and complete a Remodel of the Location to AD2019 Franchise’s satisfaction. Franchisee must complete the Remodel in the time frame specified by AD2019 Franchise. AD2019 Franchise may require the Franchisee to submit plans for AD2019 Franchise’s reasonable approval prior to commencing a required Remodel. AD2019 Franchise’s right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel.
- 7.14 **Meetings.** The Principal Executive shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that AD2019 Franchise requires, including any national or regional brand conventions. Franchisee shall not permit the Principal Executive to fail to attend more than three consecutive required meetings.
- 7.15 **Insurance.**
- (a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by AD2019 Franchise in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:
 - (i) “Special” causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible);
 - (ii) Business interruption insurance covering at least 12 months of income;
 - (iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;

- (iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000; and
 - (v) Workers Compensation coverage as required by state law.
- (b) Franchisee's policies (other than Workers Compensation) must (1) list AD2019 Franchise and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of AD2019 Franchise and its affiliates, (3) be primary and non-contributing with any insurance carried by AD2019 Franchise or its affiliates, and (4) stipulate that AD2019 Franchise shall receive 30 days' prior written notice of cancellation.
- (c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to AD2019 Franchise prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of AD2019 Franchise.
- 7.16 **Suppliers and Landlord.** Franchisee shall pay all vendors and suppliers in a timely manner. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location.
- 7.17 **Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding All Dry, the Business, or any particular incident or occurrence related to the Business, without AD2019 Franchise's prior written approval, which will not be unreasonably withheld.
- 7.18 **Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without AD2019 Franchise's prior written approval, which will not be unreasonably withheld.
- 7.19 **No Other Activity Associated with the Business.** Franchisee shall not engage in any business or other activity at the Location other than operation of the All Dry Business. Franchisee shall not use assets of the Business for any purpose other than the Business. If Franchisee is an entity, the entity shall not own or operate any other business except All Dry businesses.
- 7.20 **No Third-Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of AD2019 Franchise, which will not be unreasonably withheld.
- 7.21 **Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by AD2019 Franchise. Franchisee must display at the Business signage prescribed by AD2019 Franchise identifying the Location as an independently owned franchise.
- 7.22 **Business Practices.** Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from AD2019 Franchise. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

ARTICLE 8. SUPPLIERS AND VENDORS

- 8.1 **Generally.** Franchisee shall acquire all Inputs required by AD2019 Franchise from time to time in accordance with System Standards. AD2019 Franchise may require Franchisee to purchase or lease any Inputs from AD2019 Franchise, AD2019 Franchise's designee, Required Vendors, Approved Vendors, and/or under AD2019 Franchise's specifications. AD2019 Franchise may change any such requirement or change the status of any vendor. To make such requirement or change effective, AD2019 Franchise shall issue the appropriate System Standards.
- 8.2 **Alternate Vendor Approval.** If AD2019 Franchise requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by AD2019 Franchise. AD2019 Franchise may condition its approval on such criteria as AD2019 Franchise deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. AD2019 Franchise will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.
- 8.3 **Alternate Input Approval.** If AD2019 Franchise requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by AD2019 Franchise. AD2019 Franchise will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.
- 8.4 **Purchasing.** AD2019 Franchise may negotiate prices and terms with vendors on behalf of the System. AD2019 Franchise may receive rebates, payments or other consideration from vendors in connection with purchases by franchisees. AD2019 Franchise has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor, and impose a reasonable markup or charge for administering the payment program. AD2019 Franchise may implement a centralized purchasing system. AD2019 Franchise may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as AD2019 Franchise may determine.
- 8.5 **No Liability of Franchisor.** AD2019 Franchise shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.
- 8.6 **Product Recalls.** If AD2019 Franchise or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from AD2019 Franchise or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement

of such item.

ARTICLE 9. MARKETING

- 9.1 **Approval and Implementation.** Franchisee shall not conduct any marketing, advertising, or public relations activities (including in-store marketing materials, websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by AD2019 Franchise. AD2019 Franchise may (but is not obligated to) operate all “social media” accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, include any social media policy that AD2019 Franchise may prescribe. Franchisee shall implement any marketing plans or campaigns determined by AD2019 Franchise.
- 9.2 **Use by AD2019 Franchise.** AD2019 Franchise may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, perpetual, royalty-free license to AD2019 Franchise for such purpose.
- 9.3 **Marketing Fund.** AD2019 Franchise may establish a Marketing Fund to promote the System on a local, regional, national, and/or international level. If AD2019 Franchise has established a Marketing Fund:
- (a) Separate Account. AD2019 Franchise shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from AD2019 Franchise’s other accounts.
 - (b) Use. AD2019 Franchise shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as AD2019 Franchise reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of AD2019 Franchise’s employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).
 - (c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to Franchisee. The Marketing Fund will be spent at AD2019 Franchise’s sole discretion, and AD2019 Franchise has no fiduciary duty with regard to the Marketing Fund.
 - (d) Contribution by Other Outlets. AD2019 Franchise is not obligated to (i) have all other All Dry businesses (whether owned by other franchisees or by AD2019 Franchise or its affiliates) contribute to the Marketing Fund, or (ii) have other All Dry businesses that do contribute to the Marketing Fund contribute the same amount

or at the same rate as Franchisee.

- (e) Surplus or Deficit. AD2019 Franchise may accumulate funds in the Marketing Fund and carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, AD2019 Franchise may loan such funds to the Marketing Fund on reasonable terms.
- (f) Financial Statement. AD2019 Franchise will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of AD2019 Franchise's fiscal year and will provide the financial statement to Franchisee upon request.

9.4 **Marketing Cooperatives.** AD2019 Franchise may establish market advertising and promotional cooperative funds ("Market Cooperative") in any geographical areas. If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days. AD2019 Franchise shall not require Franchisee to be a member of more than one Market Cooperative. If AD2019 Franchise establishes a Market Cooperative:

- (a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by AD2019 Franchise. AD2019 Franchise may require the Market Cooperative to adopt bylaws or regulations prepared by AD2019 Franchise. Unless otherwise specified by AD2019 Franchise, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. AD2019 Franchise will be entitled to attend and participate in any meeting of a Market Cooperative. Any All Dry business owned by AD2019 Franchise in the Market Cooperative shall have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, AD2019 Franchise may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.
- (b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to AD2019 Franchise's approval) standardized promotional materials for use by the members in local advertising and promotion.
- (c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of AD2019 Franchise pursuant to Section 9.1. AD2019 Franchise may designate the national or regional advertising agencies used by the Market Cooperative.
- (d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% and not more than 5% of Gross Sales.

- (e) Enforcement. Only AD2019 Franchise will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.
- (f) Termination. AD2019 Franchise may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund.

9.5 **Required Spending.** Franchisee shall spend at least 4% of Gross Sales each month on marketing the Business. Upon request of AD2019 Franchise, Franchisee shall furnish proof of its compliance with this Section. AD2019 Franchise has the sole discretion to determine what activities constitute “marketing” under this Section. AD2019 Franchise may, in its discretion, determine that if Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee’s required spending under this Section.

9.6 **Market Introduction Plan.** Franchisee must develop a market introduction plan and obtain AD2019 Franchise’s approval of the market introduction plan at least 30 days before the projected opening date of the Business.

ARTICLE 10. RECORDS AND REPORTS

- 10.1 **Systems.** Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as AD2019 Franchise may specify in the Manual or otherwise in writing.
- 10.2 **Reports.**
 - (a) Financial Reports. Franchisee shall provide such periodic financial reports as AD2019 Franchise may require in the Manual or otherwise in writing, including:
 - (i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each calendar month;
 - (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of AD2019 Franchise’s fiscal year; and
 - (iii) any information AD2019 Franchise requests in order to prepare a financial performance representation for AD2019 Franchise’s franchise disclosure document.
 - (b) Legal Actions and Investigations. Franchisee shall promptly notify AD2019 Franchise of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as AD2019 Franchise may request.
 - (c) Government Inspections. Franchisee shall give AD2019 Franchise copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee’s receipt thereof.

- (d) **Other Information.** Franchisee shall submit to AD2019 Franchise such other financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that AD2019 Franchise may reasonably request.
- 10.3 **Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to AD2019 Franchise a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of AD2019 Franchise's Franchise Disclosure Document and with such other information as AD2019 Franchise may request.
- 10.4 **Business Records.** Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as AD2019 Franchise may specify in the Manual or otherwise in writing.
- 10.5 **Records Audit.** AD2019 Franchise may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. AD2019 Franchise may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by AD2019 Franchise. Franchisee shall also reimburse AD2019 Franchise for all costs and expenses of the examination or audit if (i) AD2019 Franchise conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

ARTICLE 11. FRANCHISOR RIGHTS

- 11.1 **Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by AD2019 Franchise. AD2019 Franchise may supplement, revise, or modify the Manual, and AD2019 Franchise may change, add or delete System Standards at any time in its discretion. AD2019 Franchise may inform Franchisee thereof by any method that AD2019 Franchise deems appropriate (which need not qualify as "notice" under Section 18.9). In the event of any dispute as to the contents of the Manual, AD2019 Franchise's master copy will control.
- 11.2 **Inspections.** AD2019 Franchise may enter the premises of the Business, Franchisee's job sites, and commercial locations of the Business from time to time during normal business hours and conduct an inspection. Franchisee shall cooperate with AD2019 Franchise's inspectors. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. AD2019 Franchise may videotape and/or take photographs of the inspection and the Business. AD2019 Franchise may set a minimum score requirement for inspections, and Franchisee's failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting AD2019 Franchise's other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If AD2019

Franchise conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then AD2019 Franchise may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

- 11.3 **AD2019 Franchise's Right to Cure.** If Franchisee breaches or defaults under any provision of this Agreement, AD2019 Franchise may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse AD2019 Franchise for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.
- 11.4 **Right to Discontinue Supplies Upon Default.** While Franchisee is in default or breach of this Agreement, AD2019 Franchise may (i) require that Franchisee pay cash on delivery for products or services supplied by AD2019 Franchise, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third-party vendors to not sell or provide products or services to Franchisee. No such action by AD2019 Franchise shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of AD2019 Franchise are in addition to any other right or remedy available to AD2019 Franchise.
- 11.5 **Business Data.** All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by AD2019 Franchise. AD2019 Franchise hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.
- 11.6 **Innovations.** Franchisee shall disclose to AD2019 Franchise all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors. AD2019 Franchise will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by AD2019 Franchise to document AD2019 Franchise's ownership of Innovations.
- 11.7 **Communication Systems.** If AD2019 Franchise provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes AD2019 Franchise to access such communications.
- 11.8 **Delegation.** AD2019 Franchise may delegate any duty or obligation of AD2019 Franchise under this Agreement to an affiliate or to a third party.
- 11.9 **System Variations.** AD2019 Franchise may vary or waive any System Standard for any one or more All Dry franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.
- 11.10 **Temporary Public Safety Closure.** If AD2019 Franchise discovers or becomes aware of any

aspect of the Business which, in AD2019 Franchise's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon AD2019 Franchise's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. AD2019 Franchise shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

ARTICLE 12. MARKS

- 12.1 **Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by AD2019 Franchise, and only in the manner as AD2019 Franchise may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of AD2019 Franchise.
- 12.2 **Change of Marks.** AD2019 Franchise may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after AD2019 Franchise makes any such change, Franchisee must comply with the change, at Franchisee's expense.
- 12.3 **Infringement.**
- (a) **Defense of Franchisee.** If Franchisee has used the Marks in accordance with this Agreement, then (i) AD2019 Franchise shall defend Franchisee (at AD2019 Franchise's expense) against any Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) AD2019 Franchise will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.
 - (b) **Infringement by Third Party.** Franchisee shall promptly notify AD2019 Franchise if Franchisee becomes aware of any possible infringement of a Mark by a third party. AD2019 Franchise may, in its sole discretion, commence or join any claim against the infringing party.
 - (c) **Control.** AD2019 Franchise shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.
- 12.4 **Name.** If Franchisee is an entity, it shall not use the words "All" or "Dry" or any confusingly similar words in its legal name.

ARTICLE 13. COVENANTS

- 13.1 **Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by AD2019 Franchise for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by AD2019 Franchise, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by

AD2019 Franchise (except for Confidential Information which AD2019 Franchise licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

13.2 Covenants Not to Compete.

- (a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “Restricted Parties”) shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.
- (b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor within five miles of Franchisee’s Territory or the territory of any other All Dry business operating on the date of termination or transfer, as applicable.
- (c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of AD2019 Franchise. Franchisee agrees that the existence of any claim it may have against AD2019 Franchise shall not constitute a defense to the enforcement by AD2019 Franchise of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

- 13.3 General Manager and Key Employees.** If requested by AD2019 Franchise, Franchisee will cause its general manager and other key employees to sign AD2019 Franchise’s then-current form of confidentiality and non-compete agreement (unless prohibited by applicable law).

ARTICLE 14. DEFAULT AND TERMINATION

- 14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if AD2019 Franchise violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after AD2019 Franchise receives written notice of termination.

14.2 Termination by AD2019 Franchise.

- (a) Subject to 10-Day Cure Period. AD2019 Franchise may terminate this Agreement if Franchisee does not make any payment to AD2019 Franchise when due, or if Franchisee does not have sufficient funds in its account when AD2019 Franchise attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after AD2019 Franchise gives notice to Franchisee of such breach.

- (b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to AD2019 Franchise's satisfaction within 30 days after AD2019 Franchise gives notice to Franchisee of such breach, then AD2019 Franchise may terminate this Agreement.
- (c) Without Cure Period. AD2019 Franchise may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:
- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
 - (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to AD2019 Franchise;
 - (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
 - (iv) Franchisee fails to open for business by the date specified on the Summary Page;
 - (v) Franchisee loses possession of the Location;
 - (vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
 - (vii) Franchisee abandons or ceases operation of the Business for more than five consecutive days;
 - (viii) Franchisee or any Owner slanders or libels AD2019 Franchise or any of its employees, directors, or officers;
 - (ix) Franchisee refuses to cooperate with or permit any audit or inspection by AD2019 Franchise or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;
 - (x) the Business is operated in a manner which, in AD2019 Franchise's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from AD2019 Franchise or

otherwise);

- (xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xii) AD2019 Franchise (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate); or
- (xiii) Franchisee or any Owner is accused by any governmental authority or third party of any act that in AD2019 Franchise's opinion is reasonably likely to materially and unfavorably affect the All Dry brand, or is charged with, pleads guilty to, or is convicted of a felony.

14.3 **Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) pay all amounts owed to AD2019 Franchise based on the operation of the Business through the effective date of termination or expiration;
- (ii) return to AD2019 Franchise all copies of the Manual, Confidential Information and any and all other materials provided by AD2019 Franchise to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;
- (iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to AD2019 Franchise or any new franchisee as may be directed by AD2019 Franchise, and Franchisee hereby irrevocably appoints AD2019 Franchise, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and
- (iv) cease doing business under any of the Marks.

14.4 **Remove Identification.** Within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of an All Dry business, to the reasonable satisfaction of AD2019 Franchise. Franchisee shall comply with any reasonable instructions and procedures of AD2019 Franchise for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, AD2019 Franchise may enter the Location to remove the Marks and de-identify the Location. In this event, AD2019 Franchise will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by AD2019 Franchise.

- 14.5 **Liquidated Damages.** If AD2019 Franchise terminates this Agreement based upon Franchisee's default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), then within 10 days thereafter Franchisee shall pay to AD2019 Franchise a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average Royalty Fees and Marketing Fund Contributions that Franchisee owed to AD2019 Franchise under this Agreement for the 52-week period preceding the effective date of termination; multiplied by (y) the lesser of (1) 104 or (2) the number of weeks remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 52 weeks, then (x) will equal the average Royalty Fees and Marketing Fund Contributions that Franchisee owed to AD2019 Franchise during the period that Franchisee operated the Business. Franchisee acknowledges that a precise calculation of the full extent of AD2019 Franchise's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee's payment to AD2019 Franchise under this Section will be in lieu of any direct monetary damages that AD2019 Franchise may incur as a result of AD2019 Franchise's loss of Royalty Fees and Marketing Fund Contributions that would have been owed to AD2019 Franchise after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 14.3 and Section 14.4, AD2019 Franchise's right to injunctive relief for enforcement of Article 13, and any attorneys' fees and other costs and expenses to which AD2019 Franchise is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that AD2019 Franchise may have under this Agreement or otherwise.
- 14.6 **Purchase Option.** When this Agreement expires or is terminated, AD2019 Franchise will have the right (but not the obligation) to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to AD2019 Franchise. To exercise this option, AD2019 Franchise must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that AD2019 Franchise elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. AD2019 Franchise's purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. AD2019 Franchise may withdraw its exercise of the purchase option at any time before it pays for the assets. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by AD2019 Franchise. If AD2019 Franchise exercises the purchase option, AD2019 Franchise may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by AD2019 Franchise to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, AD2019 Franchise may pay a portion of the purchase price directly to the lienholder to pay off such lien. AD2019 Franchise may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. AD2019 Franchise may assign this purchase option to another party.

ARTICLE 15. TRANSFERS

- 15.1 **By AD2019 Franchise.** AD2019 Franchise may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and AD2019 Franchise may undergo a change in ownership and/or control, without the consent of Franchisee.
- 15.2 **By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that AD2019 Franchise entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing AD2019 Franchise at least 60 days prior notice of the proposed Transfer, and without obtaining AD2019 Franchise's consent. In granting any such consent, AD2019 Franchise may impose conditions, including, without limitation, the following:
- (i) AD2019 Franchise receives a transfer fee equal to \$10,000 plus any broker fees and other out-of-pocket costs incurred by AD2019 Franchise (for clarification, Franchisee must reimburse AD2019 Franchise upon receipt of AD2019 Franchise's invoice for any broker or other placement fees AD2019 Franchise incurs as a result of the transfer);
 - (ii) the proposed assignee and its owners have completed AD2019 Franchise's franchise application processes, meet AD2019 Franchise's then-applicable standards for new franchisees, and have been approved by AD2019 Franchise as franchisees;
 - (iii) the proposed assignee is not a Competitor;
 - (iv) the proposed assignee executes AD2019 Franchise's then-current form of franchise agreement and any related documents; which form may contain materially different provisions than this Agreement;
 - (v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.5;
 - (vi) Franchisee has paid all monetary obligations to AD2019 Franchise and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to AD2019 Franchise or its affiliates;
 - (vii) the proposed assignee and its owners and employees undergo such training as AD2019 Franchise may require;
 - (viii) Franchisee, its Owners, and the transferee and its owners execute a general release of AD2019 Franchise in a form satisfactory to AD2019 Franchise; and
 - (ix) the Business fully complies with all of AD2019 Franchise's most recent System Standards.
- 15.3 **Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to AD2019 Franchise, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by AD2019 Franchise, (3) Franchisee owns all voting

securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

- 15.4 **Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by AD2019 Franchise (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.
- 15.5 **AD2019 Franchise's Right of First Refusal.** Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), AD2019 Franchise will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to AD2019 Franchise a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of AD2019 Franchise's receipt of such copy, AD2019 Franchise will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that AD2019 Franchise may substitute cash for any other form of payment). If AD2019 Franchise does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.
- 15.6 **No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.
- 15.7 **No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

ARTICLE 16. INDEMNITY

- 16.1 **Indemnity.** Franchisee shall indemnify and defend (with counsel reasonably acceptable to AD2019 Franchise) AD2019 Franchise, its parent entities, subsidiaries and affiliates, and their respective owners, directors, officers, employees, agents, successors and assignees (collectively, "Indemnitees") against all Losses in any Action by or against AD2019 Franchise and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from Actions arising as a result of any Indemnitee's intentional misconduct or negligence. Any delay or failure by an Indemnitee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnitee. This indemnity will continue in effect after this Agreement ends.
- 16.2 **Assumption.** An Indemnitee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

ARTICLE 17. DISPUTE RESOLUTION

17.1 Arbitration.

- (a) Disputes Subject to Arbitration. Except as expressly provided in subsection (c), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation) shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.
- (b) Location. The place of arbitration shall be the city and state where AD2019 Franchise's headquarters are located.
- (c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.
- (d) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for AD2019 Franchise to comply with laws and regulations applicable to the sale of franchises.
- (e) Performance During Arbitration or Litigation. Unless this Agreement has been terminated, AD2019 Franchise and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

17.2 **Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement. AD2019 Franchise shall be entitled to lost future profits.

17.3 **Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

17.4 **Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

17.5 **Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where AD2019 Franchise's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where AD2019 Franchise's

headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

- 17.6 **Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

ARTICLE 18. MISCELLANEOUS

- 18.1 **Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venture, or employee of the other. AD2019 Franchise is not a fiduciary of Franchisee. AD2019 Franchise does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System, Standards exist to protect AD2019 Franchise's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. AD2019 Franchise has no liability for Franchisee's obligations to any third party whatsoever.
- 18.2 **No Third-Party Beneficiaries.** This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, AD2019 Franchise, and AD2019 Franchise's affiliates.
- 18.3 **Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by AD2019 Franchise in its franchise disclosure document.
- 18.4 **Modification.** No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit AD2019 Franchise's rights to modify the Manual or System Standards.
- 18.5 **Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.
- 18.6 **Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.
- 18.7 **Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.
- 18.8 **Governing Law.** The laws of the state of Florida (without giving effect to its principles of

conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any Florida law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

- 18.9 **Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to AD2019 Franchise, addressed to 582 US Hwy 1, Tequesta FL 33469. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via a national courier such as Federal Express or UPS. Notwithstanding the foregoing, AD2019 Franchise may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.
- 18.10 **Holdover.** If Franchisee continues operating the Business after the expiration of the term without a renewal agreement or successor franchise agreement executed by the parties in accordance with Section 3.2, then at any time (regardless of any course of dealing by the parties), AD2019 Franchise may by giving written notice to Franchisee (the "Holdover Notice") either (i) require Franchisee to cease operating the Business and comply with all post-closing obligations effective immediately upon giving notice or effective on such other date as AD2019 Franchise specifies, or (ii) bind Franchisee to a renewal term of 5 years and deem Franchisee and its Owners to have made the general release of liability described in Section 3.2(vi).
- 18.11 **Joint and Several Liability.** If two or more people sign this Agreement as "Franchisee", each will have joint and several liability.
- 18.12 **No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by AD2019 Franchise does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and AD2019 Franchise.

ARTICLE 19. CERTIFICATION OF FRANCHISOR'S COMPLIANCE

By signing this Agreement, Franchisee acknowledges the following:

- (1) Franchisee understands all the information in AD2019 Franchise's Disclosure Document.
- (2) Franchisee understands the success or failure of the Business will depend in large part upon Franchisee's skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee's control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms, and the marketplace.
- (3) That no person acting on AD2019 Franchise's behalf made any statement or promise regarding the costs involved in operating an All Dry franchise that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (4) That no person acting on AD2019 Franchise's behalf made any claim or representation to

Franchisee, orally, visually, or in writing, that contradicted the information in the Disclosure Document.

- (5) That no person acting on AD2019 Franchise's behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money Franchisee may earn, or the total amount of revenue an All Dry franchise will generate, that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (6) That no person acting on AD2019 Franchise's behalf made any statement or promise or agreement, other than those matters addressed in this Agreement, concerning advertising, marketing, media support, market penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Disclosure Document.
- (7) Franchisee understands that this Agreement contains the entire agreement between AD2019 Franchise and Franchisee concerning the All Dry franchise, which means that any oral or written statements not set out in this Agreement will not be binding.

Agreed to by:

FRANCHISOR:

AD2019 FRANCHISE, LLC

By: _____
Name: Matthew Kuntz
Title: President
Date: _____

FRANCHISEE [if an individual]:

Name: _____
Date: _____

FRANCHISEE [if an individual]:

Name: _____
Date: _____

FRANCHISEE [*if an entity*]:

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

(Check if applicable) At the same time as the parties execute this Agreement, they are also executing a Rider to Franchise Agreement pursuant to:

- Illinois
- Indiana
- Maryland
- Minnesota
- New York
- North Dakota
- Rhode Island
- Virginia
- Washington
- Other

**Attachment 1 to Franchise Agreement
OWNERSHIP INFORMATION**

1. **Form of Ownership.** Franchisee is a (check one):

- _____ *Sole Proprietorship*
- _____ *Partnership*
- _____ *Limited Liability Company*
- _____ *Corporation*

State: _____

2. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

3. **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

**Attachment 2 to Franchise Agreement
LOCATION ACCEPTANCE LETTER**

To: _____

This Location Acceptance Letter is issued by AD2019 Franchise, LLC for your All Dry franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

2. The Territory of the Business is:

AD2019 FRANCHISE, LLC

By: _____

Name: _____

Title: _____

Date: _____

Attachment 3 to Franchise Agreement
GUARANTY AND NON-COMPETE AGREEMENT

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”).

Background Statement: _____ (“Franchisee”) desires to enter into a Franchise Agreement with AD2019 Franchise for the franchise of an All Dry business (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce AD2019 Franchise to enter into the Franchise Agreement.

Guarantor agrees as follows:

1. **Guaranty.** Guarantor hereby unconditionally guarantees to AD2019 Franchise and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to AD2019 Franchise, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and AD2019 Franchise upon demand from AD2019 Franchise. Guarantor waives (a) acceptance and notice of acceptance by AD2019 Franchise of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that AD2019 Franchise make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

2. **Confidential Information.** With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by AD2019 Franchise for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by AD2019 Franchise, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by AD2019 Franchise or its affiliates (except for Confidential Information which AD2019 Franchise licenses from another person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to AD2019 Franchise. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

3. **Covenants Not to Compete.**

(a) **Restriction - In Term.** During the term of the Franchise Agreement, Guarantor shall not

directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor.

(b) **Restriction – Post Term.** For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, or be engaged or employed by, any Competitor located within five miles of Franchisee’s Territory or the territory of any other All Dry business operating on the date of termination or transfer, as applicable.

(c) **Interpretation.** Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court, then the parties intend that the court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of AD2019 Franchise. Guarantor agrees that the existence of any claim it or Franchisee may have against AD2019 Franchise shall not constitute a defense to the enforcement by AD2019 Franchise of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

4. **Modification.** Guarantor agrees that Guarantor’s liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which AD2019 Franchise may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

5. **Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of Florida (without giving effect to its principles of conflicts of law). The parties agree that any Florida law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 5. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to AD2019 Franchise all costs incurred by AD2019 Franchise (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by:

Name: _____

Address: _____

Date: _____

Name: _____

Address: _____

Date: _____

Attachment 4 to Franchise Agreement
Territory(ies)

**Exhibit C
Form Of General Release**

[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”).

Background Statement: *[describe circumstances of Release]*

Releasor agrees as follows:

1. **Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases AD2019 Franchise, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).

2. **Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants 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 Released Party with respect to any Claim.

3. **Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.

4. **Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that AD2019 Franchise reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Agreed to by:

Name: _____

Date: _____

Exhibit D
Financial Statements

**Unaudited Balance Sheet dated March 31, 2023 and Unaudited Profit and Loss Statement for the Period
from January 1, 2023 to March 31, 2023**

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

AD 2019 Franchise LLC

Balance Sheet
As of March 31, 2023

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Bill.com Outgoing	0.00
PNC 4191	346,106.58
Total Bank Accounts	\$346,106.58
Accounts Receivable	
Accounts Receivable (A/R)	1,427,729.39
Allowance for Doubtful Accounts	-20,000.00
Total Accounts Receivable	\$1,407,729.39
Other Current Assets	
Amex Clearing	0.00
Credit Card Receivables	3,933.73
Employee Cash Advance	5,865.37
Loan to APC	216,736.84
Loan To/From All Dry	832,179.31
Loan To/From Monster Tree	5,185.08
Prepaid Broker Fees, ST	399,580.23
Prepaid Expenses	17,306.25
Shareholder Loan - Kuntz	212,438.43
Undeposited Funds	16,408.53
Total Other Current Assets	\$1,709,633.77
Total Current Assets	\$3,463,469.74
Fixed Assets	
Accumulated Depreciation	-137,432.78
Computers & Office Equipment	33,472.32
Furniture & Fixtures	4,622.00
Leasehold Improvements	118,705.40
Vehicles	69,002.85
Total Fixed Assets	\$88,369.79
Other Assets	
Prepaid Broker Fees, LT	3,516,450.53
Total Other Assets	\$3,516,450.53
TOTAL ASSETS	\$7,068,290.06

AD 2019 Franchise LLC

Balance Sheet
As of March 31, 2023

	TOTAL
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	124,641.62
Total Accounts Payable	\$124,641.62
Credit Cards	
American Express	60,393.24
Total Credit Cards	\$60,393.24
Other Current Liabilities	
Accounts Payable (Audit adjustment)	32,040.08
Debt, Current Portion	0.00
Deferred Revenue-Initial Franchise Fees, current	445,990.00
Payroll Clearing	0.00
Total Other Current Liabilities	\$478,030.08
Total Current Liabilities	\$663,064.94
Long-Term Liabilities	
Deferred Revenue-Initial Franchise Fees	5,281,692.93
Loan BMW	-30,000.00
Loan Mercedes	59,002.85
Total Long-Term Liabilities	\$5,310,695.78
Total Liabilities	\$5,973,760.72
Equity	
Distributions - Matt Kuntz	0.00
Partner Distributions	
Guadalupe A Barrera	-42,920.94
Total Partner Distributions	-42,920.94
Retained Earnings	847,585.51
Net Income	289,864.77
Total Equity	\$1,094,529.34
TOTAL LIABILITIES AND EQUITY	\$7,068,290.06

AD 2019 Franchise LLC

Profit and Loss January - March, 2023

	TOTAL
Income	
Brand Income	82,305.78
Franchise Fee	714,049.80
Late Fees	15,825.00
Royalty Income	570,739.81
Technology Income	41,300.00
Total Income	\$1,424,220.39
Cost of Goods Sold	
Franchise Sale Commission	414,645.76
QuickBooks Payments Fees	6,149.03
Technology Expense	25,197.21
Total Cost of Goods Sold	\$445,992.00
GROSS PROFIT	\$978,228.39
Expenses	
Advertising & Marketing	13,937.00
Advertising/Promotional	62,780.92
Franchise Day	9,989.47
Total Advertising & Marketing	86,707.39
Bank Charges & Fees	437.75
Car & Truck	
Jeep Lease	5,039.16
Vehicle Insurance	613.94
Total Car & Truck	5,653.10
Charitable Contributions	10,000.00
Contractors	57,692.28
Dues and Subscriptions	12,931.78
Insurance	1,961.96
Legal & Professional Services	
Accounting	10,306.25
Total Legal & Professional Services	10,306.25
Office Supplies & Software	24,291.92
Payroll Expenses	
Guaranteed Payments	92,104.64
Health Insurance	44,100.21
Payroll Processing Fees	429.00
Payroll Tax Expenses	7,889.49
Payroll Wage Expenses	85,346.30
Recruiting	90.00
Total Payroll Expenses	229,959.64
Postage and Delivery	1,915.20

AD 2019 Franchise LLC

Profit and Loss January - March, 2023

	TOTAL
Rent & Lease	19,260.00
Repairs & Maintenance	1,130.00
Travel	35,684.77
Utilities	1,060.06
Total Expenses	\$498,992.10
NET OPERATING INCOME	\$479,236.29
Other Expenses	
Fines & Penalties	189,371.52
Total Other Expenses	\$189,371.52
NET OTHER INCOME	\$ -189,371.52
NET INCOME	\$289,864.77

AD2019 FRANCHISE, LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 and 2021



AD2019 FRANCHISE, LLC

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Bernard Robinson & Company, L.L.P.

Independent Auditor's Report

To Members of
AD2019 Franchise, LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of AD2019 Franchise, LLC (a limited liability company) which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AD2019 Franchise, LLC as of December 31, 2022 and 2021, and its results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of AD2019 Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AD2019 Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AD2019 Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AD2019 Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
May 12, 2023

AD2019 FRANCHISE, LLC
Balance Sheets
December 31, 2022 and 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and cash equivalents	\$ 1,307,382	\$ 1,007,353
Accounts receivable, net	894,951	721,232
Other receivables	2,659	1,483
Prepaid expenses	17,306	17,306
Prepaid broker fees, current portion	1,416,283	399,580
Total Current Assets	<u>3,638,581</u>	<u>2,146,954</u>
Property and Equipment:		
Leasehold improvements	103,665	92,331
Automobile	-	69,003
Computers & equipment	32,082	12,640
Furniture & fixtures	4,622	4,622
	<u>140,369</u>	<u>178,596</u>
Less: accumulated depreciation	<u>30,389</u>	<u>6,722</u>
Total Property and Equipment	<u>109,980</u>	<u>171,874</u>
Other Assets:		
Operating lease right-of-use assets	434,961	-
Due from related parties	1,134,540	519,859
Prepaid broker fees, long-term	5,432,533	3,516,451
	<u>7,002,034</u>	<u>4,036,310</u>
Total Assets	<u>\$ 10,750,595</u>	<u>\$ 6,355,138</u>
	<u>Liabilities and Members' Equity</u>	
Current Liabilities:		
Accounts payable	\$ 764,441	\$ 378,510
Customer deposits	228,102	-
Operating lease liability, current portion	125,913	-
Deferred franchisee revenues, current portion	1,956,937	445,990
Note payable, current portion	-	10,935
Total Current Liabilities	<u>3,075,393</u>	<u>835,435</u>
Operating lease liability, long-term	317,686	-
Deferred franchisee revenues, long-term	7,302,317	5,281,693
Note payable, long-term	-	48,068
	<u>7,620,003</u>	<u>5,329,761</u>
Total Liabilities	<u>10,695,396</u>	<u>6,165,196</u>
Members' Equity:		
Members' equity	55,199	189,942
Total Liabilities and Members' Equity	<u>\$ 10,750,595</u>	<u>\$ 6,355,138</u>

See Notes to Financial Statements

AD2019 FRANCHISE, LLC
Statements of Income
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Initial franchise fees	\$ 5,452,433	\$ 3,344,400
Royalty, brand and technology fees	1,517,555	201,746
Total Revenue	<u>6,969,988</u>	<u>3,546,146</u>
Operating expenses:		
Commission expenses	4,548,450	2,548,768
Salaries and wages	983,103	323,656
Contractors expense	220,847	-
Professional fees	118,448	72,378
Advertising	558,023	128,571
Technology expense	53,589	13,764
Office supplies	53,085	17,749
Dues and subscriptions	23,723	-
Bank charges and fees	15,624	4,049
Charitable contributions	24,000	3,000
Depreciation	30,678	7,584
Travel expense	38,778	17,761
Insurance expense	5,807	10,144
Loss on disposal of property and equipment	8,662	24,638
Lease expense	135,104	43,073
Other general and administrative expenses	58,003	60,708
Total Expenses	<u>6,875,924</u>	<u>3,275,843</u>
Net income	<u>\$ 94,064</u>	<u>\$ 270,303</u>

See Notes to Financial Statements

AD2019 FRANCHISE, LLC
Statements of Changes in Members' Equity (Deficit)
For the Years Ended December 31, 2022 and 2021

Members' deficit, January 1, 2021	\$ (80,361)
Net income	<u>270,303</u>
Members' equity, December 31, 2021	189,942
Distributions	(228,807)
Net income	<u>94,064</u>
Members' equity, December 31, 2022	<u>\$ 55,199</u>

See Notes to Financial Statements

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AD2019 FRANCHISE, LLC
Statements of Cash Flow
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income	\$ 94,064	\$ 270,303
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	30,678	7,584
Non-cash lease expense	8,638	-
Loss of disposal of fixed assets	8,662	24,638
(Increase) decrease in:		
Accounts receivable	(173,719)	(721,232)
Other receivables	(1,176)	(1,483)
Prepaid expenses	-	(17,306)
Prepaid broker fees	(2,932,785)	(3,916,031)
Increase (decrease) in:		
Accounts payable	385,931	349,006
Customer deposits	228,102	-
Deferred franchisee revenues	3,531,571	5,607,683
Net cash provided by operating activities	<u>1,179,966</u>	<u>1,603,162</u>
Cash flows from investing activities:		
Purchase of property and equipment	(30,777)	(119,593)
Borrowings from related parties	(614,681)	(519,859)
Net cash used in investing activities	<u>(645,458)</u>	<u>(639,452)</u>
Cash flows from financing activities:		
Principal payments on note payable	(5,672)	-
Member distributions	(228,807)	-
Net cash used in financing activities	<u>(234,479)</u>	<u>-</u>
Net increase in cash	300,029	963,710
Cash and cash equivalents, beginning of year	<u>1,007,353</u>	<u>43,643</u>
Cash and cash equivalents, end of year	<u>\$ 1,307,382</u>	<u>\$ 1,007,353</u>
Supplemental disclosures of noncash investing and financing activities:		
Incurrence of debt through purchase of property and equipment	<u>\$ -</u>	<u>\$ 59,003</u>
Proceeds for sale of property and equipment to pay off note payable	<u>\$ 53,331</u>	<u>\$ -</u>

See Notes to Financial Statements

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

AD2019 Franchise, LLC (the "Company") was incorporated on August 20, 2019 in the state of Florida, for the purpose of filing its initial franchise disclosure document and selling All Dry franchises.

The Company provides franchisees with the right to own and operate a restoration service to bring timely and dedicated services to homeowners dealing with the aftermath of a disaster. The Company is a limited liability company ("LLC") which will continue in existence subject to the terms and conditions of its Operating Agreement. The obligations of the members are limited to their capital contribution.

A summary of the Company's significant accounting policies follows:

Basis of Preparation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), which requires an entity to recognize assets and liabilities arising from an operating or financing lease on the balance sheet, as well as additional qualitative and quantitative disclosures. The Company adopted this standard effective January 1, 2022, the first day of the Company's fiscal year using the modified retrospective approach and has not restated prior years. In addition, the Company elected the package of practical expedients permitted under the transition guidance, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected the practical expedient to use hindsight in determining the lease term for existing leases.

The adoption of Topic 842 resulted in the recording of a right of use asset and lease liability of \$497,630 for all operating leases that existed as of January 1, 2022. Adoption of the new standard did not materially impact the Company's net income and had no impact on cash flows.

Cash and Cash Equivalents

The Company includes all financial instruments which are not subject to withdrawal restrictions or penalties with a maturity of three months or less as cash and cash equivalents.

Accounts Receivables

Accounts receivable are carried at original invoice amounts less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual franchisee accounts receivable balances that the Company specifically knows may be uncollectible.

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables (Continued)

In making such a determination, the Company also considers a franchisee's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance for doubtful accounts was \$20,000 as of December 31, 2022 and 2021.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment.

Leases

At the inception of a lease, the Company assesses whether the lease represents an operating or financing lease. Operating leases are included in the balance sheet as a right-of-use ("ROU") asset and a corresponding lease liability. Financing leases are recorded in property and equipment and corresponding lease liability. The Company has elected not to recognize a right-of-use asset or lease liability for leases with an initial term of 12 months or less that do not include a purchase option that is reasonably expected to be exercised. The expense associated with short-term leases is included in lease expense in the accompanying statement of income.

Right-of use assets and lease liabilities are recognized at the commencement date. The lease liabilities are measured at the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. If not determinable, the Company has elected the practical expedient to use the risk-free rate for all classes of underlying assets. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. To the extent a lease agreement includes both lease and nonlease components, the Company has elected to account for lease and nonlease components separately.

Revenue Recognition

An initial nonrefundable franchise fee is paid to the Company upon sale of a franchise. Revenue from the sale of an individual franchise is recognized in the period the sale is consummated and when all performance obligations have been substantially provided by the Company. Management has determined that pre-opening services (initial training and site selection assistance) and the license agreement have been combined into a single performance obligation.

For performance obligations related to the initial nonrefundable franchise fee, management has determined that control transfers to the franchisee over the term of the franchise agreement (10 years). The Company transfers control and recognizes revenue from the nonrefundable franchise fees ratably over the life of the agreement.

To license the use of the Company's brand, each franchisee enters into a franchise agreement that includes a royalty fee (7% of weekly gross sales), a marketing fund contribution fee (1% of monthly gross sales) and a software subscription fee (\$50 - \$150 per month). These royalty, marketing fund, and software subscription fees are recognized in the period in which they are earned.

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Management has determined that, as a practical expedient, the Company has a right to the royalty, marketing fund and software subscription fees from the franchisee as daily performance obligations have been completed pursuant to the Franchise Agreement. Revenue is recognized on the basis of when the franchise generates gross receipts at which point the royalty fee and marketing fund contribution fee are due and payable.

Contract Assets and Liabilities

Contract assets consist of prepaid broker commissions resulting from initial franchise fees, which are generally recognized on a straight-line basis over the term of the underlying agreement. Contract liabilities consist of deferred revenue resulting from initial franchise fees, which are generally recognized on a straight-line basis over the term of the underlying agreement.

Advertising Costs

The Company expenses advertising costs as incurred.

Income Tax Status

For income tax purposes, the Company has elected to be taxed as a partnership. Accordingly, no provision for income tax is reflected in the financial statements, as it is the responsibility of the members to report their respective share of income and other tax attributes on their individual income tax returns.

It is the Company's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions will be assessed and measured by a more-likely-than-not threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position will be recognized in the period the change occurs. No material uncertain tax positions were identified for 2022 and 2021.

Use of Estimates

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

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through May 12, 2023, which is the date the financial statements were available to be issued.

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

NOTE 3 - DEFERRED INITIAL LICENSE AND FRANCHISE FEES AND COSTS (CONTRACT ASSETS AND LIABILITIES)

In accordance with ASC 606, an initial license or franchise fee received and the costs directly related to that fee are recorded as revenues and expenses when management has determined that all performance obligations have been satisfactorily completed. Fees received and the direct costs incurred prior to the recognition of the revenue and expense, are recorded as deferred income and deferred expenses until the satisfaction of those performance obligations. Deferred fee income and expenses at December 31 were as follows:

	<u>2022</u>	<u>2021</u>
<u>CONTRACT ASSETS</u>		
Deferred franchise expenses	\$ 6,848,816	\$ 3,916,031
Prior year deferred franchise expenses recognized as expense	2,144,076	-
<u>CONTRACT LIABILITIES</u>		
Deferred initial franchise fees	\$ 9,259,254	\$ 5,727,683
Prior year deferred fees recognized as income	1,804,139	44,000

NOTE 4 - RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances and cost reimbursements. The Company had related party transactions recorded in the financial statements in the following amounts as of December 31:

	<u>2022</u>	<u>2021</u>
<u>Due from related parties</u>		
All Dry, LLC	\$ 832,179	\$ 324,687
Monster Tree, LLC	5,185	18,586
American Painting Corp	144,737	-
Matthew Kuntz, member	152,439	176,586
	<u>\$ 1,134,540</u>	<u>\$ 519,859</u>

NOTE 5 - NOTE PAYABLE

During the year ended December 31, 2021, the Company financed a vehicle with a financial institution. Monthly payments of \$1,094, including interest at 4.4%, were due through December 2026. During the year ended December 31, 2022, the vehicle was sold for the balance remaining on the note payable.

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 6 - OPERATING LEASE

As described in Note 1, the Company adopted ASU 2016-02, Leases (Topic 842) on January 1, 2022. As of December 31, 2022, the Company has the following lease agreements:

The Company currently leases office space from an independent third party through June 2026. Escalating lease payments range from \$8,000 to \$10,419.

The Company currently leases a vehicle through January 2025. The Company paid \$5,000 at lease inception and pay monthly lease payments totaling \$1,697.

The components of lease expense for the year ended December 31, 2022 are as follows:

Operating lease expense	\$ 135,104
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Other information:

Operating cash flows from operating leases	\$ 118,973
ROU assets obtained in exchange for new operating	\$ 555,813
Weighted -average remaining lease term in years	3.37
Weighted-average discount rate	1.37%

Maturities of lease payments due are as follows as of December 31, 2022:

2023	\$ 131,067
2024	136,602
2025	123,744
2026	<u>62,513</u>
Total undiscounted cash flows	453,926
Less: present value discount	<u>(10,327)</u>
Total lease liabilities	<u>\$ 443,599</u>

NOTE 7 - RECLASSIFICATIONS

Certain amounts have been reclassified to conform to the current year presentation.

NOTE 8 - SUBSEQUENT EVENTS

During the year ended December 31, 2022, the Company was involved in legal proceedings which were settled subsequent to year end. Terms of the settlement agreement, among other things, required the Company to pay the Plaintiff \$174,000 as well as a monthly payment of 2.5% of the prior months' gross sales revenue generated by the franchisees named in the settlement agreement (5 franchisees). In addition, if at anytime within 5 years of the effective date of the settlement agreement, the Company and respective franchisees named in the settlement agreement cease all use of the Company trademarks within the designated territory, the Company shall pay to plaintiff a one time payment of \$50,000 per franchisee named in the settlement agreement.

AD2019 FRANCHISE, LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 and 2020



AD2019 FRANCHISE, LLC
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Bernard Robinson & Company, L.L.P.

Independent Auditor's Report

To Members of
AD2019 Franchise, LLC
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of AD2019 Franchise, LLC (a limited liability company) which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AD2019 Franchise, LLC as of December 31, 2021 and 2020, and its results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of AD2019 Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AD2019 Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AD2019 Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AD2019 Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

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

Bernard Robinson & Company, P.C.

Greensboro, North Carolina
April 21, 2022

AD2019 FRANCHISE, LLC
Balance Sheets
December 31, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 1,007,353	\$ 43,643
Accounts receivable, net	721,232	-
Other receivables	1,483	-
Prepaid expenses	17,306	-
Prepaid broker fees, current portion	399,580	-
Total Current Assets	<u>2,146,954</u>	<u>43,643</u>
Property and Equipment:		
Leasehold improvements	92,331	25,856
Automobile	69,003	-
Computers & equipment	12,640	-
Furniture & fixtures	4,622	-
	<u>178,596</u>	<u>25,856</u>
Less: accumulated depreciation	6,722	356
Total Property and Equipment	<u>171,874</u>	<u>25,500</u>
Other Assets:		
Due from related parties	519,859	-
Prepaid broker fees, long-term	3,516,451	-
	<u>4,036,310</u>	<u>-</u>
Total Assets	<u>\$ 6,355,138</u>	<u>\$ 69,143</u>
<u>Liabilities and Members' Equity (Deficit)</u>		
Liabilities:		
Accounts payable	\$ 378,510	\$ 29,504
Deferred franchisee revenues, current portion	445,990	120,000
Note payable, current portion	10,935	-
Total Current Liabilities	<u>835,435</u>	<u>149,504</u>
Deferred franchisee revenues, long-term	5,281,693	-
Note payable, long-term	48,068	-
	<u>5,329,761</u>	<u>-</u>
Total Liabilities	<u>6,165,196</u>	<u>149,504</u>
Members' Equity (Deficit):		
Members' equity (deficit)	189,942	(80,361)
Total Liabilities and Members' Equity (Deficit)	<u>\$ 6,355,138</u>	<u>\$ 69,143</u>

See Notes to Financial Statements

AD2019 FRANCHISE, LLC
Statements of Income
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Initial franchise fees	\$ 3,344,400	\$ -
Royalty, brand and technology fees	<u>201,746</u>	<u>-</u>
Total Revenue	<u>3,546,146</u>	<u>-</u>
Operating expenses:		
Salaries and wages	323,656	-
Professional fees	72,378	14,925
Selling expenses	2,548,768	2,500
Advertising	128,571	-
Bad debt expense	-	20,000
Depreciation	7,584	356
Loss on disposal of fixed assets	24,638	-
Rent	43,073	22,512
Other general and administrative expenses	<u>127,175</u>	<u>32,347</u>
Total Expenses	<u>3,275,843</u>	<u>92,640</u>
Net income (loss)	<u>\$ 270,303</u>	<u>\$ (92,640)</u>

See Notes to Financial Statements

AD2019 FRANCHISE, LLC
Statements of Changes in Members' Equity
For the Years Ended December 31, 2021 and 2020

Members' equity, January 1, 2020	\$ -
Contributions	12,279
Net loss	<u>(92,640)</u>
Members' deficit, December 31, 2020	(80,361)
Net income	<u>270,303</u>
Members' equity, December 31, 2021	<u><u>\$ 189,942</u></u>

See Notes to Financial Statements

AD2019 FRANCHISE, LLC
Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net income (loss)	\$ 270,303	\$ (92,640)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	7,584	356
Loss of disposal of fixed assets	24,638	
Provision for doubtful accounts	-	20,000
(Increase) decrease in:		
Accounts receivable	(721,232)	(20,000)
Other receivables	(1,483)	-
Prepaid expenses	(17,306)	-
Prepaid broker fees	(3,916,031)	-
Increase (decrease) in:		
Accounts payable	349,006	29,504
Deferred franchisee revenues	5,607,683	120,000
Net cash provided by operating activities	<u>1,603,162</u>	<u>57,220</u>
Cash flows from investing activities:		
Purchase of property and equipment	(119,593)	(25,856)
Advances (borrowings) from related parties	(519,859)	-
Net cash used in investing activities	<u>(639,452)</u>	<u>(25,856)</u>
Cash flows from financing activities:		
Contributions of capital	-	12,279
Net cash provided by financing activities	<u>-</u>	<u>12,279</u>
Net increase in cash	963,710	43,643
Cash and cash equivalents, beginning of year	<u>43,643</u>	-
Cash and cash equivalents, end of year	<u>\$ 1,007,353</u>	<u>\$ 43,643</u>
Supplemental disclosures of noncash investing and financing activities:		
Incurrence of debt through purchase of property and equipment	<u>\$ 59,003</u>	<u>\$ -</u>

See Notes to Financial Statements

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

AD2019 Franchise, LLC (the "Company") was incorporated on August 20, 2019 in the state of Florida, for the purpose of filing its initial franchise disclosure document and selling All Dry franchises.

The Company provides franchisees with the right to own and operate a restoration service to bring timely and dedicated services to homeowners dealing with the aftermath of a disaster. The Company is a limited liability company ("LLC") which will continue in existence subject to the terms and conditions of its Operating Agreement. The obligations of the members are limited to their capital contribution.

A summary of the Company's significant accounting policies follows:

Basis of Preparation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Company includes all financial instruments which are not subject to withdrawal restrictions or penalties with a maturity of three months or less as cash and cash equivalents.

Accounts Receivables

Accounts receivable are carried at original invoice amounts less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual franchisee accounts receivable balances that the Company specifically knows may be uncollectible. In making such a determination, the Company also considers a franchisee's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance for doubtful accounts was \$20,000 as of December 31, 2021 and 2020.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment.

Revenue Recognition

An initial nonrefundable franchise fee is paid to the Company upon sale of a franchise. Revenue from the sale of an individual franchise is recognized in the period the sale is consummated and when all performance obligations have been substantially provided by the Company. Management has determined that pre-opening services (initial training and site selection assistance) and the license agreement have been combined into a single performance obligation.

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

For performance obligations related to the initial nonrefundable franchise fee, management has determined that control transfers to the franchisee over the term of the franchise agreement (10 years). The Company transfers control and recognizes revenue from the nonrefundable franchise fees ratably over the life of the agreement.

To license the use of the Company's brand, each franchisee enters into a franchise agreement that includes a royalty fee (7% of weekly gross sales), a marketing fund contribution fee (1% of monthly gross sales) and a software subscription fee (\$50 - \$150 per month). These royalty, marketing fund, and software subscription fees are recognized in the period in which they are earned. Management has determined that, as a practical expedient, the Company has a right to the royalty, marketing fund and software subscription fees from the franchisee as daily performance obligations have been completed pursuant to the Franchise Agreement. Revenue is recognized on the basis of when the franchise generates gross receipts at which point the royalty fee and marketing fund contribution fee are due and payable.

Contract Assets and Liabilities

Contract assets consist of prepaid broker commissions resulting from initial franchise fees, which are generally recognized on a straight-line basis over the term of the underlying agreement. Contract liabilities consist of deferred revenue resulting from initial franchise fees, which are generally recognized on a straight-line basis over the term of the underlying agreement.

Advertising Costs

The Company expenses advertising costs as incurred.

Income Tax Status

For income tax purposes, the Company has elected to be taxed as a partnership. Accordingly, no provision for income tax is reflected in the financial statements, as it is the responsibility of the members to report their respective share of income and other tax attributes on their individual income tax returns.

It is the Company's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions will be assessed and measured by a more-likely-than-not threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position will be recognized in the period the change occurs. No material uncertain tax positions were identified for 2021 and 2020.

Use of Estimates

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

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through April 21, 2022, which is the date the financial statements were available to be issued.

NOTE 2 - DEFERRED INITIAL LICENSE AND FRANCHISE FEES AND COSTS (CONTRACT ASSETS AND LIABILITIES)

In accordance with ASC 606, an initial license or franchise fee received and the costs directly related to that fee are recorded as revenues and expenses when management has determined that all performance obligations have been satisfactorily completed. Fees received and the direct costs incurred prior to the recognition of the revenue and expense, are recorded as deferred income and deferred expenses until the satisfaction of those performance obligations. Deferred fee income and expenses at December 31 were as follows:

	<u>2021</u>	<u>2020</u>
<u>CONTRACT ASSETS</u>		
Deferred franchise expenses	\$ 3,916,031	\$ -
Prior year deferred franchise expenses recognized as expense	-	-
<u>CONTRACT LIABILITIES</u>		
Deferred initial franchise fees	\$ 5,727,683	\$ 120,000
Prior year deferred fees recognized as income	44,000	-

NOTE 3 - RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances and cost reimbursements. The Company had related party transactions recorded in the financial statements in the following amounts as of December 31:

	<u>2021</u>	<u>2020</u>
<u>Due from related parties</u>		
All Dry, LLC	\$ 324,687	\$ -
Monster Tree, LLC	18,586	-
Matthew Kuntz, member	176,586	-
	<u>\$ 519,859</u>	<u>\$ -</u>

NOTE 4 - NOTE PAYABLE

During the year ended December 31, 2021, the Company financed a vehicle with a financial institution. Monthly payments of \$1,094, including interest at 4.4%, are due through December 2026. The note is secured by the vehicle purchased with a carrying value of \$67,853 as of December 31, 2021.

AD2019 FRANCHISE, LLC
Notes to Financial Statements

NOTE 4 - NOTE PAYABLE (Continued)

Future maturities on the note payable are due as follows:

2022	\$	10,935
2023		11,238
2024		11,742
2025		12,269
2026		12,819
	\$	<u>59,003</u>

NOTE 5 - OPERATING LEASE

The Company currently leases office space from an independent third party through June 30, 2026. Total lease payments for the years ended December 31, 2021 and 2020 were \$43,073 and \$22,512, respectively. Estimated future minimum lease payments under the lease agreement for the years ending December 31 are as follows:

2022	\$	102,000
2023		110,700
2024		116,235
2025		122,047
2026		62,512
	\$	<u>513,494</u>

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

Exhibit E
Operating Manual Table Of Contents

Manual Section	Number of Pages
Preface & Introduction	35
Establishing My Franchise Business	37
Personnel	48
Administrative Procedures	25
Daily Procedures	41
Selling & Marketing	22
Total Number of Pages	208

Exhibit F
Current And Former Franchisees

Current Franchisees

Names of all current franchisees (as of the end of December 31, 2022) and the location and telephone number of each of their outlets:

Franchisee Name	City	State	Phone Number
Quentin Noreiga	Huntsville	AL	423-505-5967
Rock Sandretto	Birmingham	AL	205-520-3020
Julian Glover	Fayetteville	AR	850-855-8647
Leonard Brabson	Chandler	AZ	615.708.7301
Samuel Biggs	Mesa	AZ	480-257-6600
Michael Holland	Mesa	AZ	925-234-2192
Trevor Walker and Kevin Cottam	Costa Mesa	CA	949-933-7933
Stephen and Stephanie House	Davis	CA	843-290-9416
Jon Masters	Granite Bay	CA	347-266-1095
Seth Bradley	Oceanside	CA	302-430-2728
Joe and Jennifer Daquino	Winchester	CA	661-993-9192
Thom Bookwalter	Arvada	CO	303-521-8204
Crosby Lee	Highlands Ranch	CO	303-715-8913
Ryan and Andrea Thompson	Longmont	CO	970-402-4180
Kim Powers	Westminster	CO	303-726-2867
Manuel Mendoza	Greenwich	CT	917-371-4648
Brian Thomas	Clayton	DE	302-382-3967
Chad Kazaba	Wilmington	DE	302-668-0624
Todd and Harmony Marshall	Fruit Cove	FL	513-509-5512
Tate Buntz and Aaron Warby	Honorville	FL	435-772-2622
Jose and Nicole Kalil	Jacksonville	FL	904-382-7057
Karen Parker	Miramar	FL	305-926-0295
Dale Gertds	Miramar Beach	FL	703-244-6034
John Kuntz	Naples	FL	239-231-8565
Mark Salow	Naples	FL	202-631-5114
Derien Whaley	Orlando	FL	407-607-5706
Colin Hickey + Colin Taylor	Palm Beach	FL	561-275-5695
Eli and Nicky Marks	Palm City	FL	404-538-9091
Heather de los Rios	Palmetto Bay	FL	786-553-7682
Sam Biggs	Tampa	FL	480-257-6600

Jim McDavid + Rick Ankeil	Tequesta	FL	772-888-2200
Craig Metz	Trinity	FL	727-415-5988
Alex Capiato	Weston	FL	510-303-1312
Christian Blackstock	Atlanta	GA	205-422-5661
John Kellen Stennett	Atlanta	GA	404-456-4110
Rohit and Rahul Sinha	Atlanta	GA	512-586-7273
Carlos M Vazquez	Atlanta	GA	404-861-8441
Jeremy Schmidt	Meridian	ID	858-774-4833
Phillip Cook	Chicago	IL	312-909-2944
Andre and Laura Wolosewicz	La Grange	IL	708-217-3820
Scott Lavengood	Westfield	IN	317-987-8150
Bobby Brennan	Overland Park	KS	314-974-2145
Kevin Vernon	St. Joseph	KS	913-706-6671
Sarah Centimole	Lexington	KY	859-595-2460
Cam and Lauren Kingsolver	Waddy	KY	502-550-8075
Keith Joseph Gourgues	Metairie	LA	504-756-2004
Jeffrey Scott Bruce	Holden	MA	508-713-5895
Leon Chen	Natick	MA	857-269-9199
Derek McMahon	North Andover	MA	617-548-0873
Daniel Larsen	Plymouth	MA	617-680-2330
Ernest Cloutier*	Wellesley	MA	617-875-6086
Brian J. London	Portland	ME	207-841-2222
Chad Rabideau	Armada	MI	305-619-0706
Chris Bostwick	East Saginaw	MI	989-980-6625
John Ungur	Oakland	MI	248-890-7345
Sally Medina	Orion	MI	248-838-8074
Rudy Curtler	Shakopee	MN	715-828-9391
Tom Brinker	Colombia	MO	573-999-3448
Jason and Keri Nettles	Richmond	MO	816-721-8920
Craig Rushing	Madison	MS	601-500-2702
Cynthia and Richard Townsend	Banner Elk	NC	828-964-1610
Lawrence Hayes	Kannapolis	NC	919-230-2342
Bill Hagie	Kannapolis	NC	704-883-4580
William Cox	Matthews	NC	770-757-9293
Tom and Temple Varno	Nags Head	NC	910-367-3697
Josh and Allison Kiglics	Wilmington	NC	910-619-6198
Jacob Pinkelman	Omaha	NE	402-719-8645
Robert and Jennifer Walters	Absecon	NJ	609-350-3264
Chris Lyons	Fairfield	NJ	973-851-7375

Michael Ciradella and Chris Stroud	Fairfield	NJ	973-809-6480
John Bendokas	Hanover	NJ	973-886-3440
Gregory Zuniss	Marlboro	NJ	917-751-2788
Alok K. Sahoo	Marlton	NJ	703-627-9786
Anthony Olheiser	Henderson	NV	702-400-5225
Judy Karazim and David Oliva	Miller Place	NY	631-707-6032
John Mechlowne and Steven Hoffman	Melville	NY	310-619-4545
Nicolas Ashcraft	Aurora	OH	614-843-1979
Brian Watson	Dublin	OH	614-638-8122
Mark and Mande Blankenship	Orlando	OK	405-513-3687
Paul Seikel	Tulsa	OK	918-645-2016
Dwight "Tad" Davis	Portland	OR	503-544-4280
Ed Moore	Bangor	PA	484-837-2462
Darryl Peterson	Chalfont	PA	267-895-5314
Phillip Snyder	Mechanicsburg	PA	717-377-9187
Brian Lattanzi	Pittsburgh	PA	412-496-6772
Jim and Becky Wessel	Rostraver Township	PA	412-639-9355
Robert Davis	Mount Pleasant	SC	843-991-6553
Matt Baum	Mount Pleasant	SC	219-242-2464
Jason and Michelle Rosenberg	Myrtle Beach	SC	843-267-5659
Omar Arguello	Hermitage	TN	908-906-8333
Tim Belisle	Johnson City	TN	423-612-3348
Jack Edward Trotter	Manchester	TN	931-205-4584
Kevin Misenheimer	Signal Mountain	TN	423-443-8901
Ivan Lee Jones	Allen	TX	405-888-2911
Jeffrey Mooney	Austin	TX	512-430-0493
Clay Schaper	Austin	TX	408-623-8840
Brandon Watson	Burleson	TX	214-490-3191
Bob Wolf	Celina	TX	714-450-5265
Christian Doucet	Fort Worth	TX	713-201-8511
Jason Super	Fort Worth	TX	817-403-0668
Courtney and Damien Lewis	Fort Worth	TX	903-263-6527
Christon Sylvester	Houston	TX	713-805-6148
James (Jim) Tolsma	Houston	TX	281-731-1428
Christopher Kelly	Katy	TX	716-903-8544
Richard Cunningham	Kaufman	TX	903-316-5924
Jessie Salazar, Ashley Ann Salazar	Little Elm	TX	817-734-2745

Shad Michael Vizier	McKinney	TX	985-855-4313
Micheal Guilbeau	Montgomery	TX	409-658-3049
Kevin and Vicki McDougal	Plano	TX	972-322-5048
Lawrence Mitchell	San Antonio	TX	618-722-9241
Alyssa Classi	San Antonio	TX	405-589-0427
Jason Covington	Brookings	OR	541-661-5630
Steven Robertson	Mapleton	UT	951-264-6140
Will Mickiewicz	Chesterfield	VA	804-833-5752
Wilfredo Corps	Fairfax	VA	703-862-2506
Scott Behrens	Falls Church	VA	703-943-9710

*This franchisee operates their All Dry Franchised Business within Rhode Island and Connecticut.

Note: We have not provided the exact address for our currently open franchisees because almost all of them operate their franchises from home, and we desire to maintain the privacy of their home addresses.

Franchisees Signed But Not Opened as of December 31, 2022

Franchisee Name	City	State	Phone Number
Rob Peterson	Carlsbad	CA	760-710-1415
Lily Fong and Noel Santayana	Fontana	CA	909-542-8540
Trevor and Rachel Moniz	Pleasanton	CA	925-548-3037
Anil Kundanani and Robbie Sonson	San Diego	CA	909-542-8540
Troy and Jennifer Ots	Santa Margarita	CA	805-300-0453
Deon Jack	Margate	FL	267-895-5314
Mando Avila	Johns Creek	GA	619-368-8339
Mike and Charlotte DePew	Altoona	IA	319-936-6456
Chick Wattigny and Adam Leon	Baton Rouge	LA	225-333-8700
Kelly and James DuFrense	Marshall	MI	269-331-0232
Troy and Alisa Williams	Milford	MI	734-834-5196
Seth Patel	New York	NY	212-828-4522
Eric Coughlin	Mentor	OH	440-989-0353
Justin Mann	Clemson	SC	864-303-4043
Mark Salow	Alexandria	VA	202-631-5114
Ryan and Tamika Perkins	Norfolk	VA	318-792-5889

Former Franchisees

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or

involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

Franchisee Name	City	State	Phone Number/ Email Address
Eric & Alicia Johnson	Ocoee	FL	407-516-4542
John Michael Burlingame	Foxborough	MA	johnmichael.burlingame@gmail.com
Joseph Blount	Austin	TX	832-381-4643

Exhibit G
State Addenda to Disclosure Document

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to 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 OFFERING CIRCULAR.

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

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT RISK IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

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

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

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

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

The Franchise Agreement requires binding arbitration. The arbitration will occur in Jupiter, Florida, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Florida. This provision may not be enforceable under California law.

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF 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 DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT 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.

Registered agent in the state authorized to receive service of process:
Commissioner of Securities
335 Merchant Street
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states:
2. A proposed registration or filing is or will be shortly on file in the following states:
California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, North Dakota, Rhode Island, South Dakota, Virginia, Washington, Wisconsin
3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction of venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

The Attorney General of the State of Illinois requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

The following is added to Item 5:

Based upon franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, 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.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING. THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

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 SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND 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” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

6. 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.

7. The following is added to the end of Item 19:

REPRESENTATIONS REGARDING EARNINGS CAPABILITY

AD2019 FRANCHISE, LLC DOES NOT FURNISH OR AUTHORIZE ITS SALESPERSONS TO FURNISH ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A FRANCHISE. ACTUAL RESULTS VARY FROM UNIT TO UNIT AND AD2019 FRANCHISE, LLC CANNOT ESTIMATE THE EARNINGS OF ANY PARTICULAR FRANCHISE.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.
11. Deferral: The North Dakota Securities Commission requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do 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.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

Item 5 is amended to include the following:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

(See Exhibit H for Washington Addendum to Disclosure Document and Rider to Franchise Agreement)

Exhibit H
State Addenda to Franchise Agreement

ILLINOIS RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchisee Agreement dated _____ (the “Agreement”), between AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”) and _____ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Illinois Act” means the Illinois Franchise Disclosure Act of 1987.

- 2. Governing Law and Jurisdiction.** Notwithstanding any provision of the Agreement to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

- 3. Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

- 4. Waivers Void.** Notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

- 5. Deferral.** AD2019 Franchise shall defer collecting the initial franchise fee from Franchisee until AD2019 Franchise has fulfilled its pre-opening obligations to Franchisee and Franchisee has opened for business.

- 6. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

INDIANA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchisee Agreement dated _____ (the “Agreement”), between AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”) and _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Indiana Acts” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

2. Certain Provisions Modified. Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in

bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

3. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

MARYLAND RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchisee Agreement dated _____ (the “Agreement”), between AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”) and _____ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

- 2. Releases, Estoppels and Waivers of Liability.** 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 Law.

- 3. Statute of Limitations.** Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must bring an action under such law within three years after the grant of the franchise.

- 4. Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

- 5. Fee Deferral.** Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.

- 6. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

MINNESOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchisee Agreement dated _____ (the “Agreement”), between AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”) and _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

2. Amendments. The Agreement is amended to comply with the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, 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.

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

3. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

NEW YORK RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchisee Agreement dated _____ (the “Agreement”), between AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”) and _____ (“Franchisee”).

- 1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

- 2. **Waivers Not Required.** Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve AD2019 Franchise or any other person from any duty or liability imposed by New York General Business Law, Article 33.

- 3. **Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by AD2019 Franchise with any provision of New York General Business Law, or any rule promulgated thereunder, is hereby deleted.

- 4. **Governing Law.** Notwithstanding any provision of the Agreement to the contrary, the New York Franchises Law shall govern any claim arising under that law.

- 5. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchisee Agreement dated _____ (the “Agreement”), between AD2019 Franchise, LLC, a Florida limited liability company (“AD2019 Franchise”) and _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Amendments. The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary and Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

3. Fee Deferral. The North Dakota Securities Commission requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

4. Effective Date. This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

RHODE ISLAND RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchisee Agreement dated _____ (the "Agreement"), between AD2019 Franchise, LLC, a Florida limited liability company ("AD2019 Franchise") and _____ ("Franchisee").

- 1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

- 2. **Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.

- 3. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

VIRGINIA RIDER TO FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the "Agreement"), between AD2019 Franchise, LLC, a Florida limited liability company ("AD2019 Franchise") and _____ a _____ ("Franchisee").

1. **Fee Deferral.** The Commonwealth of Virginia requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to us until we have completed our pre-opening obligations under the Agreement.

2. **Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT AND RIDER TO 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.

The undersigned does hereby acknowledge receipt of this addendum.

Fee Deferral. The Washington Department of Financial Institutions Securities Division requires us to defer collection of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The effective date of this Addendum is the Effective Date of the Franchise Agreement.

(Signatures on the following page)

Agreed to by:

FRANCHISOR: AD2019 FRANCHISE, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

STATE EFFECTIVE DATES

The following States 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	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	July 29, 2022
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If AD2019 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. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If AD2019 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 any applicable state agency (which are listed in Exhibit A).

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

Name	Principal Business Address	Telephone Number
Matthew Kuntz	1530 Cypress Drive, Suite H Jupiter, FL 33469	(561) 310-8387
Lupe Barrera	1530 Cypress Drive, Suite H Jupiter, FL 33469	(561) 310-8387
Franchise FastLane	14301 First National Parkway, Suite 312 Omaha, NE 68154	531-333-3278

Issuance Date: May 19, 2023

I received a disclosure document dated May 19, 2023 that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
- D. Financial Statements
- E. Operating Manual Table of Contents
- F. Current and Former Franchisees
- G. State Addenda to Disclosure Document
- H. State Addenda to Agreements

Signature: _____

Print Name: _____

Date Received: _____

Keep This Copy for Your Records

Receipt

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 AD2019 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. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If AD2019 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 any applicable state agency (which are listed in Exhibit A).

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

Name	Principal Business Address	Telephone Number
Matthew Kuntz	1530 Cypress Drive, Suite H Jupiter, FL 33469	(561) 310-8387
Lupe Barrera	1530 Cypress Drive, Suite H Jupiter, FL 33469	(561) 310-8387
Franchise FastLane	14301 First National Parkway, Suite 312 Omaha, NE 68154	531-333-3278

Issuance Date: May 19, 2023

I received a disclosure document dated May 19, 2023 that included the following Exhibits:

- A. State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Guaranty and Non-Compete Agreement)
- C. Form of General Release
- D. Financial Statements
- E. Operating Manual Table of Contents
- F. Current and Former Franchisees
- G. State Addenda to Disclosure Document
- H. State Addenda to Agreements

Signature: _____

Print Name: _____

Date Received: _____

**Return This Copy to Us
AD2019 Franchise, LLC
582 US Hwy 1, Tequesta, FL 33469**