

## FRANCHISE DISCLOSURE DOCUMENT

**DUCTZ International, LLC**  
**A Michigan Limited Liability Company**  
**731 Fairfield Court**  
**Ann Arbor, MI 48108**  
**(877) 597-2553**  
**info@ductz.com**  
**www.DUCTZ.com**



The franchises offered for the establishment and operation of a business offering HVAC cleaning and restoration services for residential and commercial dwellings and buildings, utilizing the DUCTZ business system. The total investment necessary to begin operation of a DUCTZ Business is \$169,637 to \$235,872. This includes \$81,508 to \$106,508 that must be paid to the franchisor or its affiliates. The total investment necessary to begin the operation of a conversion DUCTZ Business is \$68,104 to \$115,872. This includes \$48,850 to \$66,508 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact your sales representative, at 731 Fairfield Court, Ann Arbor, MI 48108, 734-864-9799.

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

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

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

**Issuance date: March 29, 2024**

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Michigan. 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 Michigan than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

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

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or 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.

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

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

Any questions regarding this notice should be directed to:

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

**DUCTZ INTERNATIONAL, LLC**  
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## **ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### 1.1 The Franchisor, its Parents and Certain Affiliates.

The franchisor is DUCTZ International, LLC. Our principal place of business is 731 Fairfield Court, Ann Arbor, MI 48108. To simplify the language in this Disclosure Document, “we,” “us,” “our,” “Company”, and “DUCTZ” means DUCTZ International, LLC. “You” or “your” means the person or persons to whom a DUCTZ Business is awarded. If the DUCTZ Business is awarded to a legal or business entity, “you” or “your” means the legal or business entity and the Owners of the legal or business entity.

We were formed March 30, 2004, as a Michigan Limited Liability Company. We do business under the name “DUCTZ.” We do not do business under any other name; however, our owners have other businesses as described below. We do not conduct any other line of business and have never offered franchises in any other line of business.

Our agent authorized to receive service of process is listed in Exhibit D of this Disclosure Document.

Our parent is BELFOR Franchise Group, LLC (f/k/a “DUCTZ Holdings, LLC”) a Michigan Limited Liability Company formed on July 3, 2007 (“BFG”), which has a principal business address of 731 Fairfield Court, Ann Arbor, MI 48108. BFG is a wholly owned subsidiary of BELFOR (USA) Group, Inc. (“BELFOR”), a Colorado corporation formed on June 9, 1995, and located at 185 Oakland Ave, Suite 150, Birmingham, MI 48009. BELFOR is a wholly owned subsidiary of BELFOR Holdings, Inc., a Delaware corporation incorporated on May 24, 2006 and located at 185 Oakland Ave, Suite 150, Birmingham, MI 48009. BELFOR offers property and electronic restoration, machinery refurbishment, data and document restoration, mold remediation, emergency and rapid response. As of December 31, 2023, BELFOR owns and operates 174 outlets in the United States and Canada. BELFOR also owns and operates two (2) franchises of our affiliate, ZPlumberz.

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

### 1.2 Our Business and the Franchises Offered

We grant franchises for establishing, marketing, promoting, advertising, managing, conducting and operating businesses that perform HVAC cleaning and restoration services (the “Services”) using our trademarks (the “Marks”). We have offered DUCTZ Businesses since March 2004.

Each DUCTZ Business will be awarded a geographic territory (the “Territory”) which includes a Designated Office Territory (“DOT”) where you may advertise, and solicit business, and a Regional Service Area (“RSA”), where you may also perform Services under certain conditions as described in Section 1 of the Franchise Agreement. Under certain conditions, other franchisee(s), Company Store(s) (as defined below), we and/or DUCTZ North America, LLC (collectively referred to as “DUCTZ Affiliates”) may also solicit, market, advertise and perform services in the Territory, but again, only as described in Section 1 of the Franchise Agreement. A “Company Store” refers to a DUCTZ Business that is owned by DUCTZ International, LLC, or DUCTZ North America, LLC. We grant franchises only in accordance with our Franchise



Agreement (the “Franchise Agreement”). A copy of it is attached as Exhibit A-1 Conversion Franchisees (as defined in Item 5) are also required to enter into our standard Conversion Addendum, which is currently attached as Exhibit H to the Franchise Agreement.

You will identify that you are a DUCTZ franchisee by exhibiting the Marks on your marketing materials, vehicles, employee uniforms, stationery, business cards, invoices, and other business supplies.

DUCTZ Businesses offer the Services for residential and commercial buildings. DUCTZ Businesses operate under distinctive and proprietary business formats, systems, methods, procedures, techniques, designs and specifications. The DUCTZ Business includes unique methods, processes, and systems for providing the services offered by the DUCTZ Business, all of which we (or our affiliates) may improve, further develop or otherwise modify from time to time (collectively, the “DUCTZ System”). We intend to develop, promote, and award DUCTZ Businesses to establish a franchised network of local owners across the United States, which together with Company Stores, will conduct the Services under the Marks using methods and operating systems as defined in our operations manual and other manuals or similar written materials (the “Manuals”). You must operate your DUCTZ Business according to the System. We have no other business activities although we reserve the right to do so in the future.

We may continue to develop new Services. We are not obligated to develop or offer you the right to provide new Services, but if they are offered, we may impose requirements in addition to those described in this Disclosure Document, which may include, among others, completion of additional training, the purchase of additional equipment, payment of additional fees and the execution of additional agreements. You will not be required to participate in these new Services. We may also discontinue services in our sole discretion.

### 1.3. Market and Competition

In accordance with the DUCTZ System, you will market your DUCTZ Business services directly to insurance adjusters, general contractors of re-construction services, HVAC contractors, homeowners, condominium associations, apartment complex owners, business owners, restoration companies, school systems, medical facilities, the general public and other similar customers.

Your competitors are HVAC contractors and indoor air pollution control specialists, and other businesses that offer HVAC cleaning and restoration services. These competitors may offer similar services with a wide variety of options. You may also compete with large chains, franchise businesses and other companies with substantial resources. The market for indoor air pollution control and remediation is developed in some geographic areas and developing in other areas, depending on the number of businesses in the area capable of performing similar services, and the number of people in the area aware of the availability and benefits of such services.

### 1.4 Laws and Industry Regulations

You must comply with all federal, state, and local laws and regulations that apply to HVAC cleaning and restoration businesses in general. If your state, county or local government licenses HVAC contractors and duct cleaners, you must be licensed before commencing operation of your DUCTZ Business. In states or counties where you are not required to be licensed by any governmental authority, you must satisfy us that you possess the qualifications required to perform the services offered by DUCTZ Businesses. As of the date of this Disclosure Document, the following states require air duct cleaners to hold special licenses: Arizona, Arkansas, Alabama, California, Connecticut, Florida, Georgia, Louisiana, Michigan and Texas.

Other states may require licensing or certification as well. You should investigate these laws and regulations and keep apprised of changes that are made in areas that you service. You are solely responsible to investigate and determine licensing requirements in the area you would like to service before signing the Franchise Agreement. It is your sole responsibility to investigate and comply with these laws and regulations.

You must maintain your license(s) in good standing with the applicable licensing authority for the entire term of the franchise agreement and all renewals.

1.5 Prior Business Experience

We were formed in March 2004 and owned by Service Brands International. On July 24, 2007, DUCTZ International, LLC was acquired by BFG. As of December 31, 2023, there were a total of 66 franchised Full Service locations operating in the United States and our affiliate DZNA operates 5 Full Service locations of the type being franchised.

1.6 Affiliates

BELFOR, or our parent, BFG, also own the companies that offer franchises in the chart below. The franchising companies have offered franchises since their year of formation, only offer franchises in the line of business in the chart, and have never offered franchises in any other line of business. All of the BFG franchising companies in the chart below have the following principal business address: 731 Fairfield Court, Ann Arbor, MI, except 1) the Canadian companies have the following principal business address: 3300 Bridgeway Street, Vancouver, British Columbia V5K 1H9; and 2) the principal business address for Winmar is 175 Stonach Crescent, London, ON N5V 3G5.

<b>Company</b>	<b>State/Type of Entity</b>	<b>Date of Formation</b>	<b>Number of Outlets</b>	<b>Franchise Offering</b>
1 800 WATER DAMAGE International, LLC (“1 800 WD”)	Delaware LLC	Apr. 16, 2015	178	Water damage restoration services, mold remediation, odor removal, fire and smoke and related cleaning services.
HOODZ International, LLC (“HOODZ”)	Delaware LLC	Oct. 3, 2008	128	Performing commercial kitchen exhaust system cleaning, inspection, maintenance and restoration services.
PACKOUTZ International, LLC (“BLUE KANGAROO PACKOUTZ”)	Delaware LLC	August 29, 2019	103	Contents restoration, packing, cleaning, and permanent climate-controlled storage.
PLUMBERZ International, LLC (“Z PLUMBERZ”)	Michigan LLC	Mar. 25, 2019	27	Plumbing, sewer, and drain service to residential, commercial, and industrial buildings.
Patch Boys International, LLC (“THE PATCH BOYS”)	Delaware LLC	May 6, 2020	308	Performing light restoration and reconstruction services in residential homes and commercial businesses.
RedBox+ International, LLC (“REDBOX+”)	Michigan LLC	May 28, 2021	270	Dumpster and portable restroom rental services

<b>Company</b>	<b>State/Type of Entity</b>	<b>Date of Formation</b>	<b>Number of Outlets</b>	<b>Franchise Offering</b>
JunkCo+ International, LLC	Delaware LLC	January 25, 2024	0	Junk hauling and demolition services
HOODZ Canada, Inc.	Federal company (Canada)	Oct. 4, 2011	1	Performing commercial kitchen exhaust system cleaning, inspection, maintenance and restoration services.
DUCTZ Canada, Inc. (operating as DUCTBUSTERS)	Federal company (Canada)	Jan 12, 2018	2	HVAC system restoration, coil cleaning, and dryer vent services.
Patch Boys Canada, Inc.	Federal company (Canada)	Jan. 12, 2018	0	Performing light restoration and reconstruction services in residential homes and commercial businesses.
1-800 BOARDUP International, LLC*	Delaware LLC	July 8, 2022	75	Emergency structural stabilization services
Cool Binz International, LLC (“COOL BINZ”)	Michigan LLC	September 29, 2022	0	Temperature-controlled portable storage solutions
Safer Home Services International, LLC	Michigan LLC	September 29, 2022	3	Residential and commercial pest control
Winmar (Canada) International Ltd. (“Winmar”) (predecessor is Winmar International, Inc.)	Federal company (Canada)	Dec. 7, 2018	91	Restoration services for residential and commercial properties across Canada that specialize in water damage, fire and smoke restoration services, mold inspection and removal as well as damage restoration and recovery.

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

Our parent, BFG, also owns the following companies that do not currently have or offer franchises, but reserve the right to do so in the future, and may offer products or services to franchisees:

<b>Company</b>	<b>State/Type of Entity</b>	<b>Date of Formation</b>	<b>Principal Address</b>	<b>Number of Outlets</b>	<b>Industry</b>
DUCTZ North America, LLC (“DZNA”)	Delaware LLC	July 24, 2007	731 Fairfield Court, Ann Arbor, MI 48108	5 (company-owned DUCTZ Businesses)	HVAC system restoration, coil cleaning, and dryer vent services.
HOODZ North America, LLC (“HZNA”)	Delaware LLC	Nov. 12, 2009	731 Fairfield Court, Ann Arbor, MI 48108	6 (company-owned HOODZ Businesses)	Commercial exhaust hood system and oven cleaning, inspection, maintenance and restoration services.
PACKOUTZ North America, LLC (“BLUE KANGAROO PACKOUTZ NA”)	Michigan LLC	March 25, 2019	731 Fairfield Court, Ann Arbor, MI 48108	1	Contents restoration, packing, cleaning, and permanent climate-controlled storage.

<b>Company</b>	<b>State/Type of Entity</b>	<b>Date of Formation</b>	<b>Principal Address</b>	<b>Number of Outlets</b>	<b>Industry</b>
PLUMBERZ North America, LLC (“Z PLUMBERZ NA”)	Michigan LLC	March 25, 2019	731 Fairfield Court, Ann Arbor, MI 48108	7	Plumbing, sewer, and drain service to residential, commercial, and industrial buildings.
Cool Binz North America, LLC (“COOL BINZ NA”)	Michigan LLC	September 29, 2022	731 Fairfield Court, Ann Arbor, MI 48108	1	Temperature-controlled portable storage solutions
Safer Home Services North America, LLC (“SHSNA”)	Michigan LLC	September 29, 2022	731 Fairfield Court, Ann Arbor, MI 48108	8	Residential and commercial pest control
JunkCo North America, LLC	Michigan LLC	December 6, 2023	731 Fairfield Court, Ann Arbor, MI 48108	1	Junk hauling and demolition services
Hidrent, LLC (offering services as “Task Hero”)	Delaware	Jan. 22, 2024	731 Fairfield Court, Ann Arbor, MI 48108	1	A pioneering technology platform that connects off-duty fire fighters with residential or commercial customers in need of safe, trustworthy, and reliable handyman-type services
BHI Distribution, LLC (“BHI”)	Delaware LLC	Feb. 19, 2008	731 Fairfield Court, Ann Arbor, MI 48108	1	Procurement and distribution of vehicles, equipment and supplies for BELFOR USA and its affiliates and subsidiaries.
DRIPLOC, LLC	Delaware LLC	May 12, 2010	731 Fairfield Court, Ann Arbor, MI 48108	1	Grease containment, may provide equipment and related services to franchisees.
Colman Wolf Supply, LLC (“Colman Wolf”)	Michigan LLC	June 29, 2009	15201 E 11 Mile Road Roseville, MI 48066	1	Procurement and distribution of equipment and supplies for BELFOR USA and its affiliates and subsidiaries.

BFG Holdco, Inc., (“BFG Holdco” formerly known as HRI Holdings, Inc.), our affiliate and wholly owned subsidiary of BELFOR also owns the following franchise companies that offer the franchise offerings in the chart below and that may also offer products or services to franchisees:

<b>Company</b>	<b>State/Type of Entity</b>	<b>Date of Formation</b>	<b>Principal Address</b>	<b>Number of Outlets</b>	<b>Industry</b>
Chem-Dry, Inc. (“CDI”)	Utah Corp.	March 1994  (originally a California Corp. formed in Nov. 1977)	3310 West End Ave., Suite 620, Nashville, TN 37203	1,240 in the U.S. and 44 in Canada	Offers Chem-Dry franchises, which is a carpet cleaning and upholstery cleaning franchise, since 1978. Offered N-Hance franchises in the U.S. and

Company	State/Type of Entity	Date of Formation	Principal Address	Number of Outlets	Industry
					Canada from May 2003 until August 2017.
NHance, Inc. ("NHI")	Delaware Corp.	Dec. 31, 2012	1530 North 1000 West, Logan, UT 84321	288	Wood cleaning, coating, protection and other wood care and renewal products and services for wood flooring, cabinetry, trim and other wood furnishings
Devere International, Inc. ("DII")	California Corp.	Sept. 1987	3310 West End Ave., Suite 620, Nashville, TN 37203	27 Master Franchisees	Offers Chem-Dry master franchises outside of the United States and Canada

## ITEM 2: BUSINESS EXPERIENCE

### President of DUCTZ, International, LLC and DUCTZ North America, LLC: Jessica Wicks

Ms. Wicks has served as President for DUCTZ International, LLC and DUCTZ North America, LLC, whose main offices are located in Ann Arbor, Michigan since June 29, 2022. Prior to her role as President, Ms. Wicks was a franchise business coach for DUCTZ International, LLC from November 2018 to June 29, 2022.

### President of BELFOR Franchise Group, LLC: Rusty Amarante

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

### Chief Executive Officer: Sheldon Yellen

Mr. Yellen has served as Chief Executive Officer for DUCTZ International, LLC, BELFOR Franchise Group, LLC, and DUCTZ North America, LLC, located in Ann Arbor, MI from July 2007 to the present. Mr. Yellen has also served as Chief Executive Officer of HOODZ International, LLC and HOODZ North America, LLC, located in Ann Arbor, MI, from September 2008 to the present. Mr. Yellen also serves as Chief Executive Officer of 1 800 WATER DAMAGE International, LLC and 1 800 WATER DAMAGE North America, LLC, located in Ann Arbor, MI, from October 2015 to the present. Mr. Yellen has served as Chief Executive Officer of BELFOR USA Group, Inc., located in Birmingham, MI from April 2004 to the present. Mr. Yellen also has served as Director and CEO of BELFOR Holdings, Inc., in Birmingham, MI, since its inception in September 2006 to the present. Mr. Yellen also serves as Director of BFG Holdco, located in Nashville, TN from July 2019 to the present.

### Chief Financial Officer of BELFOR Franchise Group, LLC: Dave Robertson

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

Treasurer and Secretary: Chris Jones

Mr. Jones has served as Treasurer and Secretary of BELFOR Franchise Group, LLC, DUCTZ North America, LLC, and DUCTZ International, LLC, located in Ann Arbor, MI, from July 2007 to present. Mr. Jones has also served as Treasurer and Secretary of HOODZ International, LLC, and HOODZ North America, LLC, located in Ann Arbor, MI, from October 2008 to the present. Mr. Jones also serves as Treasurer and Secretary of 1 800 WATER DAMAGE International, LLC and 1 800 WATER DAMAGE North America, LLC, located in Ann Arbor, MI, from September 2015 to the present. Mr. Jones has also served as Group Controller for BELFOR USA Group, Inc., located in Birmingham, MI, from July 2005 to the present.

Senior Vice President of Legal and Franchise Administration: Melanie Parker

Ms. Parker has been the Senior Vice President of Legal and Franchise Administration for all brands owned by BELFOR Franchise Group, LLC and BFG Holdco, Inc. since September 2019. Ms. Parker became the Vice President of Legal and Franchise Administration for CDI in October 2015, and serves in the same capacity for NHI, since October 2015, since March 2018.

Senior Vice President of Franchise Sales and Development: Doug Smith

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

Senior Vice President of Marketing: Abigail Baker

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

**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**

5.1. Initial Franchise Fee

Upon signing of the Franchise Agreement, you must pay an initial franchise fee in the amount set forth in the Summary Page to the Franchise Agreement (the “Initial Franchise Fee”). The Initial Franchise Fee offsets the expenses we incur in registering, marketing, awarding, training, and opening new franchises. The Initial Franchise Fee is non-refundable and deemed fully earned upon payment. The Initial Franchise Fee is \$49,900 (“Base Fee”) for a DOT with a population of up to 200,000 households.

For a DOT with populations greater than 200,000 households, the Initial Franchise Fee will equal the Base Fee, plus \$0.25 for each household over 200,000 (the “Additional Fee”). For example, the Initial Franchise Fee for a DOT with a population of 210,000 will be computed as follows:

$$\$49,900 \text{ Base Fee} + (10,000 \times .25) = \$52,400$$

Each DOT will have a maximum of 300,000 households. The purchase of more than 300,000 households in the aggregate at any time during the term of the Franchise Agreement will require the payment of an additional Initial Franchise Fee. Each franchisee's DOT will contain at least 100 identified potential business Protected Partners.

In 2023, one franchisee received a reduced Initial Franchise Fee of \$19,900 for a Conversion Franchise. The remaining franchisees paid Initial Franchise Fees calculated by the formula disclosed in this Item.

### 5.2 Initial Package Fee

You must also obtain a fixed initial package ("Initial Package") that will cost \$31,608, plus sales tax (the "Initial Package Fee"). The Initial Package includes: Clothing and Promotional, Print & Marketing Materials, Safety Supplies, HVAC Equipment Package, Tools & Small Equipment, Dryer Vent Supplies, Coil Cleaning Small Equipment, National Air Duct Cleaning Association (NADCA) membership, training and certification, Kick Start Marketing, 1 year CareerPlug Pro, and a \$749 convention allowance (the "Convention Allowance") for the DUCTZ brand-wide convention (the "Convention"). We reserve the right to require Conversion Franchises to purchase a complete Initial Package if we deem it necessary. The Initial Package Fee is non-refundable and deemed fully earned upon payment.

The Convention Allowance covers the registration for one person to attend the first Convention that is scheduled following your successful completion of our Business Manager and Technical Operations Training Program. The Convention Allowance cannot be used to offset any other expenses or requirements associated with your DUCTZ Business and if you do not attend the first Convention, then the Convention Allowance will be applied to the Convention Non Attendance Fee.

The KickStart Marketing included in the Initial Package currently includes: on-going digital marketing support; website development; website analytics tracking; online call-tracking; search engine optimization (SEO) set-up; proactive search engine optimization for a period of approximately four (4) months, pay-per-click search engine advertising set-up; online advertising for a period of approximately four (4) months; review tracking for a period of approximately one (1) year; local listings set-up; local listings support; online directory optimization; and optional chat support setup and functionality. The features of these digital marketing services are subject to change in our sole discretion.

### 5.3 Discounts to the Initial Franchise Fee and Initial Package Fee

DUCTZ is a member of the International Franchise Association (IFA) and participates in the IFA's VetFran Program, which provides a 20% discount on the Base Fee of the Initial Franchise Fee to veterans of U.S. Armed Forces who have been honorably discharged or otherwise meet the requirements of the VetFran program. This discount may not be used in conjunction with the discount for first responders. We reserve the right to require proof that the applicant qualifies for this discount.

We also offer a \$2,500 discount on the Initial Franchise Fee on the first Territory to first responders, which include sworn police officers, paid and volunteer firefighters, and paid and volunteer emergency medical technicians and paramedics. We reserve the right to require proof that the applicant qualifies for this discount. You may use this discount to purchase one (1) Territory. This discount may not be used in conjunction with the veteran discount. We reserve the right to require proof that the applicant qualifies for this discount.

If you wish to purchase multiple Territories at the time you sign your first Franchise Agreement with us, then we will discount the Initial Franchise Fee for the additional Franchise Agreement(s) by (a) \$10,000 for a Standard Franchise or (b) \$5,000 for a Conversion Franchise. The discount is only applicable toward your initial purchase of a Standard Full Service Franchise, cannot be combined with any other discount, and will not be granted toward any future Territory expansions.

For Conversion Franchises, depending on the types and condition of the equipment you already own, the Initial Package Fee may be waived or reduced in our sole discretion. We reserve the right to require Conversion Franchises to purchase a complete Initial Package if we deem it necessary, but at minimum you are required to purchase a modified Initial Package that will cost \$13,950. The modified Initial Package includes: Clothing and Promotional, Print & Marketing Materials, KickStart Marketing, 1 year CareerPlug Pro, and a \$749 Convention Allowance for the DUCTZ Convention. Other than in the chart above reducing the Initial Franchise Fee, Conversion Franchises are not eligible for any other discounts to the Initial Franchise Fee.

We also offer additional financing to those franchisees that meet our credit standards. If you participate in our installment plan as described above, you may still participate in our financing program if you meet our credit standards. Our financing is described in more detail in Item 10.

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

#### 5.4 Initial Fees for Conversion Franchises

If you are an existing duct cleaning business that has grossed at least \$100,000 in annual sales in your two (2) most recent fiscal years, then you may qualify to purchase a DUCTZ Business as a conversion franchise (“Conversion Franchise”). To be eligible to purchase a Conversion Franchise, you must provide two (2) years’ worth of tax returns (Form 1040 with schedule C, E, or F, Form 1065, Form 1120S, or Form 1120, and any other information we reasonably request). The Initial Franchise Fee for a Conversion Franchise will be reduced according to the chart below.

<b>Conversion Tiers</b>	<b>Gross Annual Sales</b>	<b>Initial Franchise Fee</b>	<b>Re-Branding Credit*</b>
Tier One	\$100,000 - \$249,999	\$34,900	\$5,000
Tier Two	\$250,000 - \$499,999	\$29,900	\$10,000
Tier Three	\$500,000 - \$749,999	\$24,900	\$15,000
Tier Four	\$750,000 - \$999,999	\$19,900	\$20,000
Tier Five	\$1,000,000+	\$14,900	\$25,000

\*If you are eligible to purchase a Conversion Franchise, then you may also be eligible to receive a one-time re-branding credit (“Re-Branding Credit”) that will be applied toward the cost of vehicle graphics and items from us, our vendors, or our affiliate(s) that must be used within six (6) months after signing the Franchise Agreement.

As stated in Item 1, Conversion Franchisees are required, in addition to the Franchise Agreement, to enter into our standard Conversion Addendum, which is currently attached as Exhibit H to the Franchise Agreement.



#### 5.4 Related Franchisee Package

If you are currently a franchisee in good standing, as determined by us, with one of our franchising affiliates (a “Related Franchisee”), then you may qualify to purchase a DUCTZ Business with discounted initial fees. The initial fee for the Related Franchisee will be twenty-five percent (25%) off of the then-current Initial Franchise Fee, and such discounted fee is limited to up to two (2) Franchises, which must be purchased at the same time. The Initial Franchise Fee for a Related Franchisee is deemed fully earned upon payment and non-refundable under any circumstances.

You must also obtain an Initial Package for the type of Franchise you are purchasing. If you own an existing air duct cleaning business, depending on the types and condition of the equipment you already own, the Initial Package Fee may be waived or reduced in our sole discretion. At minimum, you will be required to purchase a modified Initial Package that will cost \$13,950. The modified Initial Package includes: Clothing and Promotional, Print & Marketing Materials, KickStart Marketing, 1 year CareerPlug Pro, and a \$749 Convention Allowance for the DUCTZ Convention. We reserve the right to require Related Franchisees purchase a complete Initial Package if we deem it necessary. A Related Franchisee cannot use any other discounts, including for a Conversion Franchise. The Initial Package Fee for a Conversion is deemed fully earned upon payment and non-refundable under any circumstances.

#### 5.5 Initial Fees for Additional Franchises, Renewals and Transfers

If you are an existing DUCTZ franchisee in good standing for a minimum of one year, as determined by us, you may qualify to purchase an additional DUCTZ Business with discounted Initial Franchise Fee. Upon signing of the Agreement for a new DUCTZ Business, you must pay an Initial Franchise Fee of \$39,900 to us for a single Standard Franchise. The Initial Franchise Fee is deemed fully earned upon payment and non-refundable under any circumstances.

Depending on the quantities, types, and condition of the equipment you already own, the Initial Package Fee may be waived or reduced in our sole discretion. We reserve the right to require you to purchase a complete Initial Package if we deem it necessary.

Upon the expiration and renewal of your Franchise Agreement, you will not be required to pay the Initial Franchise Fee or Initial Package Fee, but you must pay our then-current Renewal Fee, and you may be required by us to purchase new or additional equipment, at your sole expense. The Renewal Fee is deemed fully earned upon payment and non-refundable under any circumstances.

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

**ITEM 6: OTHER FEES**

<b>Name of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (Note 1)</b>
Royalty (Note 2)	10% of Gross Sales generated; if you fail to achieve the Minimum Gross Sales that we designate we may collect a minimum royalty (Note 3)	This fee is due by automatic debit each Friday for Gross Sales generated during the preceding week ending on Sunday (Note 4)	See Note 5
Brand Marketing Fee	Up to 1% of Gross Sales, if established	Deducted weekly, due at the same time as the Royalty	In addition, we reserve the right, but are not obligated to, establish a national marketing fund (the “Brand Marketing Fund”) for the common benefit of System franchisees. We have the right to require you to participate in and contribute up to 1% of your Gross Sales weekly to the Brand Marketing Fund (the “Brand Marketing Fee”) in the manner we prescribe.
Additional Training or Assistance Hosting Fee	\$50 - \$500 per person depending upon the type of training, conducted at the Corporate Training facility, or our then current fee	Due by automatic debit the following Friday (or any other day we may designate) after the completion of training	Initial Business Management and Technical Operations Training to you or your Designated Manager and one other person is included with the franchise. You may designate, with our approval and on a “space available basis,” additional persons to attend initial Business Management and Technical Operations training for the Hosting Fee.
Technology Fee	Our then current fee, which is presently \$45 per week	Due by automatic debit each Friday	We reserve the right to change this fee in the event technology changes.
Convention, Regional Meetings and/or Additional Training	The then current fee, which is currently (a) \$1,000 max. per person to attend the Convention, and (b) \$0 - \$200 per person per event for Regional Meetings and/or Additional Training	Before the start of the event	To help offset our out-of-pocket expenses for meeting space, meals, audio visual rental, workbooks, speakers, etc. Does not include travel, lodging or all meals. Location varies, these fees are payable to and imposed and collected by third parties.

Name of Fee (Note 1)	Amount	Due Date	Remarks (Note 1)
Transfer Fee	Our then current fee, per Territory; presently this is \$9,900 if transferred to a new DUCTZ franchisee, or \$3,000 if transferred to a current DUCTZ franchisee.	Due upon the Franchisor drafting the transferee's new Franchise Agreement	We reserve the right to increase this fee. These fees are non-refundable.
Transfer of Corporation Fee	\$500	Due upon signing transfer documents	Due if you change the legal entity that owns the Franchise more than once
Broker - Resale	If you authorize us to enlist a third party broker to locate the transferee, there will also be a broker fee, which currently ranges from \$25,000 - \$30,000	Due upon closing of the sale of the Business	Payable only if the third party broker located the transferee. Payable to and imposed and collected by us if a broker fee was paid by DUCTZ to the third party. Payable to and imposed and collected by the broker if we do not pay a broker fee to the third party.
Outstanding Royalties, Support Fees, and other fees of Transferor	Will vary under circumstances	Due 6 weeks from the transferee's execution of his Franchise Agreement	In a transfer, the transferee promises to pay us at the time of closing the following fees if they are not timely paid by the transferor: Royalties, Referral Fees, amounts owed for purchases from us, Late Payment Fees, Late Report Fees, Interest Fees, NSF Fees and any other fees owed, plus interest, as well as any applicable broker fees.
Renewal Fee	20% of the then current Initial Franchise Fee	At the time you sign a Franchise Agreement for a renewal term	You will sign our then-current Franchise Agreement for the renewal term, which may include materially different terms, including the Royalty rate and/or Territory.
Late Report Fee	\$20 per week that a report is late	Due by automatic debit the Friday after the report is late	Due for each week a report is late, including, but not limited to year-end profit and loss statements and business tax returns.

<b>Name of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (Note 1)</b>
Late Payment Fee	5% of amount due or \$50 per week, whichever is greater	Due by automatic debit on the Friday following the due date for each late payment	Due for any payment that is not paid when due.
Administrative Fee	Our then current fee, which is presently \$500 per transaction.	As incurred	Due upon your request or when we are required due to your actions or request, to amend the Franchise Agreement or when you ask us to consent to various transactions or to services for which a specific fee is not imposed elsewhere in this agreement or the System.
Collection Fee	Our then current fee, which is presently up to 10% of gross amounts collected on your behalf	As incurred	Due when we collect payment on your behalf for customers who are delinquent in their payment of 90 days or more
Non-Sufficient Funds (NSF) Fee	Our then current fee, which is presently \$33 per NSF	Due by automatic debit the Friday after the NSF occurs	Due if and when we debit your account for monies owed and there are insufficient funds available.
Convention Non-Attendance Fee	Our then current fee, which is presently \$1,000	Due to us if you fail to attend the Convention and did not receive our prior written permission.	See Note 7
Improper Marketing or Service Fee	The current fee for advertising, marketing, soliciting and/or servicing outside of your Territory without our permission, is up to \$10,000 per transaction	Due by automatic debit 30 days after written notice	See Note 8
Audit	Due only if an inspection is necessary. Cost of inspection or audit estimated at \$2,500-\$3,500, plus 100% of understated Royalty and interest, at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is greater, and all late fees, from the date originally due until the date of payment; if an understatement of Royalty is	Due by automatic debit 15 days after billing	Due if an inspection or audit is made necessary by your failure to (a) furnish reports, supporting records, or other information as required, (b) furnish these items on a timely basis, (c) to record all Customer payments in the DUCTZ Software within 48 hours of their receipt, (d) use the DUCTZ/Required Software for scheduling and invoicing, or if an

Name of Fee (Note 1)	Amount	Due Date	Remarks (Note 1)
	greater than 3%, you also must pay us an additional penalty fee equal to 10% of the total amount of the understated Gross Sales		understatement of Royalty is greater than 3% for any period reviewed.
Insurance	Cost of insurance; If you fail to maintain the required insurance, we have the right to procure insurance on your behalf and you must pay us, on demand, for the costs and premiums we incur.	As invoiced	You are required to maintain the types and amounts of insurance specified in item 8 and, as more detailed, the Franchise Agreement.
Interest Fee	18% per annum or the maximum permitted by law	Due by automatic debit each Friday	Due on all overdue amounts from the date the amounts were originally due.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims directly or indirectly arising out of your DUCTZ Business's operation.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	See Note 9.
NORA Fee	None currently assessed; if we manage accounts through a national or regional accounts program you will pay up to 3% of Gross Sales	As incurred	See Note 10.

**Notes:**

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

1. All fees, unless otherwise specified, are uniformly imposed and collected by and payable to us. All fees are non-refundable and deemed fully earned upon payment.
2. Before opening the DUCTZ Business, you must sign and deliver to us the prescribed form of authorization to debit the DUCTZ Business's checking account automatically for all fees due us which is attached to the Franchise Agreement as Exhibit F.
3. As a franchisee, if you fail to achieve the minimum level of monthly Gross Sales (as defined in Note 5), we may collect a Royalty equal to what you would have been assessed had you achieved the minimum level of Gross Sales.

<b>Months in Operation</b>	<b>Minimum Monthly Gross Sales Requirement</b>	<b>Minimum Monthly Royalty Requirement</b>
0 to 12 months	No Minimum	No Minimum
13 but less than 24	\$9,200	\$920
25 but less than 36	\$13,800	\$1,380
37 but less than 48	\$18,000	\$1,800
Greater than 48	\$23,000	\$2,300

4. For purposes of paying the Royalty, our week begins on Monday and ends on Sunday. The Royalty will be assessed to you upon the earlier of (a) receipt of funds from the customer, or (b) 90 days after the date an original invoice is issued to the customer, regardless of whether the invoice is paid in full. If you transfer the Franchise Agreement to a new owner, the Royalty for all jobs completed prior to the transfer must be paid on the day of closing, regardless of whether the invoice(s) is paid in full. On the effective date of termination of the Franchise Agreement, either by you or us, you must pay us the Royalty for all jobs completed prior to termination. We will draft the Royalty from your bank account on Friday (or another day we may designate) for the preceding week. You must pay the Royalty by electronic funds transfer or by such other means as we may specify. We may periodically specify other dates for payment of the Royalty.
5. Royalties are payment for the use of the Marks, System, Territory, and Manuals. "Gross Sales" means all revenue generated from operating the DUCTZ Business, whether in cash, in services in kind, from barter and/or exchange, or otherwise, less any sales tax or refunds for non-salvageable items. Commissions paid to lead sources (general contractors, HVAC contractors, and content cleaning companies, third party administrators, etc.) are subject to the Royalty. Referral Fees paid to you by the DUCTZ National Service Team ("NST") and amounts paid to you by the NST for labor, equipment and expenses are subject to the Royalty and must be reported as Gross Sales.
6. If you fail to attend the Convention, without our prior written permission, you must pay the Convention Non-Attendance Fee of \$1,000. If you miss your first Convention following your successful completion of our Business Manager and Technical Operations Training Program, the Convention Allowance included in the Initial Package will be applied toward the Convention Non-Attendance Fee.
7. You are permitted to (a) service Customers in your DOT and RSA and (b) advertise, solicit and market in your DOT ONLY. You are not permitted to service outside of your RSA without our prior written approval. In addition, you may not perform work inside another DOT unless (A) you are performing work for a Protected Partner and such Protected Partner is clearly noted in our software and (b) you have received prior written permission from us. (See Item 12). Performing one of these prohibited actions is a default under the Franchise Agreement. After the first occurrence of incident, a written notice of default will be issued. A second default will result in a fine up to \$10,000. Three defaults may result in the termination of your Franchise Agreement and a fine of up to \$10,000 per repeated occurrence. We reserve the right to waive the fine if the incident is deemed accidental.

8. If you are in breach or default of any monetary or non-monetary material obligation under the Franchise Agreement or any related agreement between you and us or our affiliates, and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses we incur. If you institute any legal action to interpret or enforce the terms of the Franchise Agreement, and your claim in such action is denied or the action is dismissed, we are entitled to recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.
9. We may provide services to national and/or regional accounts that require centralized overview and support, and for purposes of responding to requests and referrals for Services through our franchise system, managing those relationships, answering calls placed to our toll-free number or a national account on-line access system. In that case, we may charge you a National or Regional Accounts Fee ("NORA Fee") of up to three percent (3%) of Gross Sales generated by the account. The purpose of this fee is to defray the cost of providing national/regional account management services to the franchise system. We do not plan to charge a fee for simple referrals where we do not directly manage the relationship with the customer, but we reserve the right to do so.

## ITEM 7: ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is To Be Made
Initial Franchise Fee (Note 1)	\$49,900	\$74,900	Lump sum	On signing your Franchise agreement	Us
Initial Package Fee (Note 2)	\$31,608	\$31,608	Lump sum	On signing your Franchise agreement; not applicable for additional franchises awarded to you	Us
Hand tools, miscellaneous supplies	\$0	\$700	Lump sum	As incurred	Third Parties
Food and lodging while training, not including the cost of your transportation (Note 3)	\$1,200	\$3,000	Lump sum	As incurred	Third Parties
Vehicle with up-fitting (Note 4)	\$74,875	\$85,000	Lump sum	As incurred	Third Parties
Full time technician for 3 months (Note 5)	\$0	\$7,200	Payroll	Per your standard payroll policy	Employee
Computer System (Note 6)	\$0	\$1,500	Lump sum	As incurred	Third Parties

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is To Be Made
QuickBooks Online (Note 7)	\$84	\$225	Monthly Installments	As incurred	Third Parties
Fiber-optic internet, cable or satellite high speed Internet, anti-virus software and electronic mail	\$270	\$475	Lump sum	As incurred	Third Parties
Insurance for the first 3 months (Note 8)	\$1,200	\$3,500	Depends on insurance agency	Depends on insurance agency	Third Parties
Business Telephone (Note 9)	\$0	\$144	Monthly payments based on carrier	As incurred	Third Parties
ASCS Training and Certification (Note 10)	\$0	\$1,620	Lump sum	As incurred	NADCA
Real estate or storage for the first 3 months (Note 11)	\$0	\$4,500	Lump sum	As incurred	Third Parties
Marketing (Note 12)	\$1,500	\$1,500	Monthly	As incurred	Third Parties
Additional funds for the first 3 months (Note 13)	\$9,000	\$20,000	Lump sum	As incurred	Third Parties
<b>TOTAL ESTIMATED INITIAL INVESTMENT &amp; ADDITIONAL EXPENSES</b>	<b>\$169,637</b>	<b>\$235,872</b>			

### Conversion Business

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is To Be Made
Initial Franchise Fee (Note 1)	\$34,900	\$34,900	Lump sum	On signing your Franchise agreement	Us
Initial Package Fee (Note 2)	\$13,950	\$31,608	Lump sum	On signing your Franchise agreement; not applicable for additional franchises awarded to you	Us
Hand tools, miscellaneous supplies	\$0	\$700	Lump sum	As incurred	Third Parties
Food and lodging while training, not	\$1,200	\$3,000	Lump sum	As incurred	Third Parties



including the cost of your transportation (Note 3)					
Vehicle with up-fitting (Note 4)	\$6,000	\$85,00	Lump sum	As incurred	Third Parties
Full time technician for 3 months (Note 5)	\$0	\$7,200	Payroll	Per your standard payroll policy	Employee
Computer System (Note 6)	\$0	\$1,500	Lump sum	As incurred	Third Parties
QuickBooks Online (Note 7)	\$84	\$225	Monthly Installments	As incurred	Third Parties
Fiber-optic internet, cable or satellite high speed Internet, anti-virus software and electronic mail	\$270	\$475	Lump sum	As incurred	Third Parties
Insurance for the first 3 months (Note 8)	\$1,200	\$3,500	Depends on insurance agency	Depends on insurance agency	Third Parties
Business Telephone (Note 9)	\$0	\$144	Monthly payments based on carrier	As incurred	Third Parties
ASCS Training and Certification (Note 10)	\$0	\$1,620	Lump sum	As incurred	NADCA
Real estate or storage for the first 3 months (Note 11)	\$0	\$4,500	Lump sum	As incurred	Third Parties
Marketing (Note 12)	\$1,500	\$1,500	Monthly	As incurred	Third Parties
Additional funds for the first 3 months (Note 13)	\$9,000	\$20,000	Lump sum	As incurred	Third Parties
Miscellaneous Pre-opening Expenses	\$0	\$5,000			
<b>Total estimated initial investment &amp; additional expenses</b>	<b>\$68,104</b>	<b>\$115,872</b>			

Notes:

Our estimate of your initial investment to develop one DUCTZ Business is described in the table above. The estimate covers the period before the opening of your franchise and includes a category for additional expenses you may incur during the initial three-month phase after the opening of your franchise. The estimate does not include an owner's salary or draw. The estimate also does not include cash requirements to cover operating losses or owner's draw after the initial three-month phase of the franchise. You may need additional funds available, whether in cash or through unsecured credit lines or have other assets that you may liquidate, or that you may borrow

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

Your actual investment may vary depending on local conditions particular to your geographic area or market, for example, real estate demand, availability and occupancy rates. Additional variables that may impact your initial investment may be: the size of your facility; age of the structure; length of your lease or other instrument granting you the right to occupy the premises; if your space is to be built out by the developer with no initial out-of-pocket costs to you; lease arrangements; location in the market; costs of demolishing existing leasehold improvements; construction costs; other variable expenses and whether you currently hold a lease for an acceptable location. Costs and expenses are not refundable unless expressly noted in the charts or the notes.

1. The low Initial Franchise Fee does not show the application of any discounts to the Initial Franchise Fee and does not account for any financing. The discounts we offer are listed in Item 5, and the financing details are in Item 10. You may qualify for one or both. The high Initial Fee has been calculated by adding the Additional Fee to the Base Fee for a Standard Franchise. For both Conversion Franchises, the low and high estimate are based on the chart set forth in Item 5.3. See Item 5 for an explanation of the amount and refundability of the Initial Franchise Fees. We may finance a part of the Initial Fee; see Item 10 for details regarding the amount we will finance, the down payment required, the annual interest rate, rate factors, and estimated loan repayments.
2. Estimates are based on the purchase of a Franchisee's first DUCTZ Business. However, the Initial Package Fee is waived for renewal terms and additional Territories awarded to you. If this is a transfer, you will be required to purchase a modified Initial Package based on the equipment not included in the transfer necessary to operate the DUCTZ Business, and to pay the \$749 Convention Allowance. The standard Initial Package includes: Clothing and Promotional, Print & Marketing Materials, Safety Supplies, HVAC Equipment Package, Tools & Small Equipment, Dryer Vent Supplies, Coil Cleaning Small Equipment, National Air Duct Cleaning Association (NADCA) membership, training and certification, Kick Start Marketing, 1 year CareerPlug Pro, and a \$749 convention allowance (the "Convention Allowance") for the DUCTZ brand-wide convention (the "Convention"). These estimates include various hand tools, general supplies, contractor supplies and cleaning supplies. You may not be required to purchase these items if you already own them. For Related Franchisees, the initial fees (Initial Franchise Fee, Initial Package, and Kick-Start Marketing) may be discounted as described in Item 5. You may be required to pay sales tax on the Initial Package, and such tax is not included in the Initial Package Fee.
3. Covers out-of-pocket expenses for lodging and meals for two attendees who are sharing one hotel room, not including transportation.
4. All vehicles must be leased or purchased through our then currently approved supplier(s). All vehicles must have the equipment and the DUCTZ decal package per our standards and specifications. For a Standard Franchise, the low range estimate is for a new vehicle with equipment and vinyl decal package (depending on market conditions), but does not include sales tax. For a Standard Franchise, the high range

- estimate is for a new vehicle with a truck mount unit, equipment, and vinyl decal package (depending on market conditions), but not including sales tax. For Conversion Franchises, the low range estimate assumes that you have an existing white vehicle that complies with our standards and specifications that does not have wrapping that needs to be removed and the high range estimate assumes that you are purchasing a brand new vehicle that needs decals, but does not include sales tax. You are required to only use vehicle signs and wrapping we permit. All vehicle wraps may only be performed by our authorized vendors. Your cost may differ from our estimates based on market demand, the year and model, interest rate, and if you choose a longer/shorter term. The costs referenced include up-fitting charges. Vehicle delivery, applicable sales tax and licensing are not included.
5. You must dedicate a full-time technician to perform the actual HVAC cleaning and restoration services for the DUCTZ Business (“Service Technician”). This low estimate is based on a Managing Owner serving as the Service Technician and the high estimate is based on employing a Service Technician.
  6. As described more fully in Item 11 of this Disclosure Document, you must have a computer located at your office site (“Office Site”) that meets our then-current requirements as set forth in our Manuals. You are not required to purchase a computer for your DUCTZ Business if you currently have a computer which meets or exceeds these specifications.
  7. This figure is based on the standard version of QuickBooks Online, which is what we require, but may be higher based on various upgraded versions that are available for QuickBooks Online. If you are a Conversion Franchise, you may be required to pay our approved software vendors for the conversion of your business data into the approved service business software.
  8. Before beginning the DUCTZ Business, you shall obtain and maintain in full force and effect throughout the term of the Franchise Agreement and at your sole expense, certain insurance coverages as described in the Franchise Agreement. This item estimates the cost to attain insurance for the first three months of operation.
  9. At our discretion, we will provide you the business phone number to be used by the Business. This number will be forwarded to any device(s) that you choose. The low estimate is based on having this number forwarded to your existing device(s). The high estimate is based on the Business acquiring additional optional services and a second landline with a separate phone service provider and paying the corresponding fees and expenses.
  10. The standard Initial Package includes Air Systems Cleaning Specialist (ASCS) Training Course Online and one registration for ASCS Exam. If you do not pass the ASCS certification exam, you will be responsible for NADCA retake fees. You will be responsible for all fees associated with additional ASCS training and certifications. NADCA approved courses and/or convention attendance may count toward continued education credits which are required for annual renewal. Costs will vary.
  11. This item estimates the cost to rent a storage facility of 300-400 square feet for the first three months of operation. The low estimate of the estimated initial investment is based on a Managing Owner who runs the business from their home and has adequate space

to store equipment related to the DUCTZ Business, and the high estimate is based on a Managing Owner who rents a storage facility.

12. You agree to actively advertise and promote the Business within the Territory. We require you to expend a minimum amount each month on marketing, advertising, and promotional programs at the local level but recommend that you spend amounts in excess of 2% of Gross Sales on local marketing and advertising.
13. This item estimates the working capital needs for the first three months of operation, not including those expenses identified separately in the table. It includes payroll costs for operation and customer service employees, out-of-pocket direct mail costs, general auto maintenance and gasoline, and office overhead. The estimate of additional funds does not include an owner's salary or draw. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The amount of working capital you need will depend on a number of factors. These factors include the local market for HVAC cleaning and restoration or dryer vent installation and cleaning services; the prevailing wage rate; competition; and the sales level reached during the initial period. You may also be required to provide security deposits for utilities and rent (and possibly other items).

We have relied upon the experience of our DUCTZ franchisees, to compile these estimates. You should review them carefully with a business advisor before making any decision to purchase the franchise.

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

### ***8.1 Required Purchase of Initial Package and Kick-Start Marketing Services***

You must purchase the Initial Package or Modified Initial Package of certain equipment and small tools package for HVAC and air duct cleaning and supplies safety equipment, marketing materials, trademarked office supplies and apparel, Click Safety Training, Training and Certification, Kick Start Marketing, CareerPlug Pro, a Convention Fee Allowance, and supplies as described and listed in Exhibit B to the Franchise Agreement.

The items included in the Initial Package will change to reflect the changing needs of the DUCTZ Business in accordance with System procedures, and changes in suppliers and/or product specifications. The Initial Package may be modified or waived for Conversion Franchises, but only with our prior written approval. We retain the right to derive revenue or other material consideration from required purchases and leases of products and services.

Some of our officers have an ownership interest in our affiliates BELFOR, Colman Wolf, DRIPLOC, CDI, and BHI. There are no other suppliers in which any of our officers owns an interest at this time, although they reserve the right to do so in the future.

The marketing materials and trademarked office supplies that are included in the Initial Package are shipped, F.O.B. from our approved supplier(s) which include Oklahoma City, OK and Logan, UT. You must purchase the entire Initial Package.

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

In addition to the marketing materials in the Initial Package, you are required to pay to us the Kick-Start Marketing Fee for the purchase of certain digital marketing services, which currently includes: on-going digital marketing support; website development; website analytics tracking; online call-tracking; search engine optimization (SEO) set-up; proactive search engine optimization for a period of approximately four (4) months, pay-per-click search engine advertising set-up; online advertising for a period of approximately four (4) months; review tracking for a period of approximately one (1) year; local listings set-up; local listings support; online directory optimization; and optional chat support setup and functionality. The features of these digital marketing services are subject to change in our sole discretion.

## 8.2 Standards and Specifications

You must operate your DUCTZ Business according to our standards, specifications, and operating procedures and the DUCTZ System. We will formulate and modify standards and specifications based on our and our franchisees' experiences in operating the DUCTZ Business. Our standards and specifications may impose requirements for performance, reputation, quality, and appearance. Our Manuals or other communications identify our standards and specifications and/or names of designated or approved suppliers.

## 8.3 Vehicle Standards and Specifications

Currently, the initial vehicle must be leased or purchased through our approved supplier(s). We also reserve the right to require that you purchase all additional vehicles through our approved supplier(s). DUCTZ Businesses will use vehicles for the DUCTZ Business that meet our design and operating specifications for model type, color, trademark representation, and appearance. These specifications are included in our Manuals. All vehicles purchased or leased for the DUCTZ Business are to be, and maintained, in a "good" condition as defined by KELLEY BLUE BOOK ("good" condition means that the vehicle is free of any major defects). The paint, body and interior must have only minor (if any) blemishes, and there may not be any major mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in connection with the business are to be decaled as required by DUCTZ and the decals are to be free of defects.

In addition, we have the right to require you to install, use and maintain a GPS for your vehicle(s), including payment of monthly fees to a designated GPS vendor, if you fail to report your Gross Sales timely and/or accurately on two or more occasions.

## 8.4 Business Phone

At our discretion, we will provide you the business phone number to be used by the Business. This number will be forwarded to any device you choose. As part of your local marketing, this number must be dedicated to your DUCTZ Business. We may require you to use the phone models and type from the supplier(s) that we designate.

## 8.5 Purchase Arrangements

Aside from certain intangible benefits associated with group buying, you receive no material franchise benefits (for example, the award of additional franchises or a renewal term) for using an approved supplier.

## 8.6 NADCA Membership

New franchisee NADCA Membership Application Fee, first year Membership Dues, online training and NADCA ASCS Certification Exam are paid for as part of the Initial Package. DUCTZ International will assist new franchisees in completing the membership with NADCA.

You and/or your Designated Manager must become certified within three months of your completion of Business Manager and Technical Operations Training. Franchisees must maintain their annual membership for the full term of the Franchise Agreement including paying the NADCA annual membership renewal fee after year one. It is encouraged but not mandatory that you attend the NADCA National Meeting.

#### 8.7 Email and Website

You must also maintain, on your business computer, an electronic mail account that must enable you to receive and send electronic mail and transfer computer files with us. You must also maintain a fiber-optic internet or other high speed internet, cable or satellite high speed internet connection. To enhance the brand and the Marks, you must use an email name that we have approved that will have “@DUCTZ.com” as its suffix for all business related correspondence.

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

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

#### 8.8 Insurance

Before attending either the Business Manager and Technical Operations Training, you promise to purchase and maintain in full force and effect throughout the term of the Franchise Agreement and at your expense, insurance protecting you, your employees, and us, our officers, and our employees, against loss, liability, fire, personal injury, death, property damages, or theft arising from, or occurring in connection with, the operation and promotion of the DUCTZ Business as specified in detail in the Franchise Agreement or otherwise in writing from us, including, but not limited to, a commercial general liability policy with limits of \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit, and \$1,000,000 per occurrence, automobile liability insurance with a combined single limit of at least \$1,000,000, statutorily required workers’ compensation and employers’ liability insurance with limits of at least \$500,000 by accident, \$500,000 by disease and \$500,000 policy limit; or the minimum limit required by your state, whichever is higher, Umbrella Liability Insurance with a limit of at least \$2,000,000 per occurrence and aggregate the policy shall list the commercial general liability, automobile liability and workers’ compensation/employers’ liability policies as scheduled underlying policies and any other insurance as required by any state, county, local, or other municipal insurance requirements. We may modify the types and amounts of insurance you are required to purchase as we deem appropriate in our reasonable discretion. You acknowledge and agree that (a) the insurance you will maintain reflects the minimum amounts of coverage we require, (b) these minimums are not meant to reflect the actual needs you may have, and (c) it is your responsibility to carefully evaluate if these minimums will adequately meet your needs.

All policies will be written by an insurance company(ies) that is/are licensed in the state in which you are doing business, and that has an A.M. Best rating of “A” or better. Currently, you

are not obligated by the terms of the Franchise Agreement to purchase your insurance from any specific provider, although we reserve the right to specify the specific provider that you must use in the future.

BELFOR and DZNA may have additional insurance coverages that they require if you choose to complete a job for them or the NST. You have the option to turn down these jobs if you do not wish to add the coverages that they require. Such additional requirements are set forth in the Franchise Agreement or otherwise in writing by us, BELFOR and/or DZNA and include BELFOR being named as an additional insured on the policy on a primary and noncontributory basis.

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

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

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

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

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

#### 8.9 Approval of Alternative Suppliers

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

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

#### 8.10 Revenues from Franchisee Purchases

In the fiscal year ending December 31, 2023, we derived \$14,051.58 or .54% of our total revenue of \$2,583,315 from required purchases and leases in 2023. In 2023, our affiliates, BHI, Colman Wolf and CDI, derived \$72,400; \$88,078.03 and \$9,366.86, respectively, from the sale of initial equipment, vehicles and supplies to franchisees. We derived this information from BHI's unaudited financial statements.

We estimate that the cost of the items purchased according to our specifications will be approximately 30% of the overall purchases in establishing the business and less than 5% of the total purchases during the operation of the business. If you purchase a Conversion Franchise, the items purchased according to our specifications will be approximately 20% to 25% of the overall purchases in establishing the business, and approximately 5% to 25% of the total purchases during the operation of the business.

We reserve the right to mark up and earn a profit from the products purchased from us, our affiliates, or our suppliers.



### 8.11 Cooperatives

As of the date of this offering, we do not have any purchasing or distribution cooperatives, but we reserve the right to establish them in the future.

### 8.12 Advertising

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials from us before their first use.

## **ITEM 9: FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Section 1.D	Item 6 and 12
b. Pre-opening purchases/leases	Sections 2.A and 2.B	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Sections 1.D, 2.G and 3.A	Items 7 and 11
d. Initial and ongoing training	Sections 1.C, 2.A and 3	Items 6, 7 and 11
e. Opening	Sections 2, 3 and 7	Item 11
f. Fees	Sections 2, 10.B, 11.D, 13.A, 15.C and 16	Items 5 and 6
g. Compliance with Standards and Policy	Sections 1.C, 2, 3, 4 and 7	Items 8, 9, 13, and 16
h. Warranty and customer service requirements	Section 7.A	None
i. Trademarks and proprietary information	Sections 4, 5, 6, 13.B and 13.C	Items 8, 13 and 14
j. Restrictions on products/services offered	Sections 7, 1.E, 1.F	Items 8, 12 and 16
k. Territorial development and sales quotas	Sections 1, 2.F and 2.G	Item 6 and 12
l. Ongoing product/service purchases	Sections 2 and 7	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 7, 11.B, 11.C and 11.D	None
n. Insurance	Section 7.C	Items 6, 7, and 8
o. Advertising	Sections 1.C, 1.D, 1.E, 2.G, 3.B and 7.A	Items 6, 8 and 11
p. Indemnification	Section 14.C	Items 6, 8 and 12
q. Owner's participation/management/ staffing	Sections 1 and 7.A	Items 11 and 15
r. Records/reports	Sections 2.D, 3.B and 7.A	Item 6 and 11
s. Inspections and audits	Section 8	Item 6, 11 and 17
t. Transfer	Section 10	Items 6 and 17
u. Renewal	Section 11	Item 6 and 17
v. Post-termination obligations	Sections 6 and 13	Item 17
w. Non-competition covenants	Sections 6 and 13.D	Item 17
x. Dispute resolution	Section 15.F	Item 17
y. Guaranty	Exhibit G	Item 10

## ITEM 10: FINANCING

### 10.1 Initial Franchise Fee

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

Source of Financing	Us
Amount Financed	Up to 50% of the Initial Franchise Fee / Up to 75% of the Initial Franchise Fee for Conversion Franchise
Down Payment	Minimum of 50% of the Initial Franchise Fee / 25% of the Initial Franchise Fee for Conversion Franchise
Term (number of years)	Up to three years
Rate of Interest plus Finance Charge	9%
Monthly Payment	Varies depending on amount financed and term.
Prepayment Penalty	None
Security Required	Personal Guaranty
Guaranty	Personal Guaranty
Liability upon Default	Termination or other loss of Franchise; you must also pay entire amount due and our attorneys' fees and court costs in collecting debt
Loss of Legal Rights Upon Default	You must waive presentation for payment, demand, notice of non-payment, protest, and all other demands and notices required by law (statutory or otherwise)

If you would like to finance a portion of the Initial Franchise Fee, and you meet our credit standards and other qualifications, then you may do so through a promissory note (the "Note"), which is currently attached as Exhibit A-2 to the Franchise Disclosure Document. You must make a down payment of at least fifty percent (50%) of the Initial Franchise Fee if you are purchasing a standard franchise or Related Franchise and twenty-five (25%) of the Initial Franchise Fee if you are purchasing a Conversion Franchise. We are currently offering an APR of 9%. We will not adjust APR of the Note once your Franchise Agreement has been signed. If fail to make timely payments or your payments are returned to us with non-sufficient funds, then we have the option to either (a) collect late fee of 5% or \$50, per week, whichever sum is greater, or (b) demand immediate payment of the full outstanding balance of the Note. The only security we require is a personal guaranty of the Note by you and by all the owners, as well as all respective spouses, of the company.

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

We have been deemed eligible for Small Business Association (“SBA”) loan processing. We assist in providing certain information and guidance for the processing of 7(a) and 504 loans.

We do not currently have the intent to and it is not currently our practice to sell, assign or discount to a third party all or part of the financing arrangement described in this Item 10. We do not currently receive any consideration for placing financing with the above lenders.

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

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

**Except as listed below, DUCTZ is not required to provide any assistance.**

### 11.1 Our Pre-Opening Obligations

Before you open your DUCTZ Business, we will:

1. Designate the Territory for a DUCTZ Business (Section 1.C and the Summary Page of the Franchise Agreement). We do not provide any assistance with (a) selecting a business site or negotiation of any lease or purchase of any site, (b) conforming the site to local ordinances and codes and obtaining any required permits, (c) hiring and training employees (other than the required training discussed in Section 3.A of the Franchise Agreement), or (d) assisting in the establishment of pricing such as setting minimum or maximum prices at which you must sell products and services. Your business site may be located in your home, but must be located within the DOT and must contain at least the minimum square feet we recommend. (Section 1.D and the Summary Page of the Franchise Agreement).
2. Provide your Initial Package as listed in Exhibit B of the Franchise Agreement (Section 2.B of the Franchise Agreement). The items in the Initial Package are provided by us and by designated suppliers named by us. See Item 5 for the Initial Package details.
3. Provide you with a list of our approved suppliers for equipment, signs, fixtures, opening inventory, and supplies. Franchisor does not provide written specifications for these items or deliver or install these items.
4. Provide you with the Kick-Start Marketing Services that currently includes: ongoing digital marketing support; website development; website analytics tracking; online call-tracking; search engine optimization (SEO) set-up; proactive search engine optimization for a period of approximately four (4) months, pay-per-click search engine advertising set-up; online advertising for a period of approximately four (4) months; review tracking for a period of approximately one (1) year; local listings set-up; local listings support; online directory optimization; and optional chat support setup and functionality. The features of these digital marketing services are subject to change in our sole discretion. (Section 2.B of the Franchise Agreement).

5. Loan to you a copy of our copyrighted Manuals, and other proprietary materials or manuals as we may publish and distribute to you periodically (Section 3.C of the Franchise Agreement).
6. Give prior approval for use of business forms, business stationery, business cards, advertising materials, permanent materials, and forms that you intend to use (Section 7.A of the Franchise Agreement). We will continue to do this after you open the DUCTZ Business.
7. Give prior approval to all marketing, advertising, and promotional materials prepared by you within ten days of our receipt of the proposed materials for Franchises (Section 2.G of the Franchise Agreement). We will continue to do this after you open the DUCTZ Business.
8. Specify minimum policy limits for certain types of insurance coverage (Section 7.C of the Franchise Agreement). We will continue to do this after you open the DUCTZ Business.
9. Provide a Jumpstart Initial Training and a Business Management and Technical Operations Training Program to (a) the Owner, (b) the Designated Manager, if applicable, and (c) Service Technicians, at no additional fee or other charge (Section 3.A of the Franchise Agreement). The Business Management and Technical Operations Training Program are to take place in Ann Arbor, Michigan.
10. Provide you with the business phone number to be used by the Business. (Section 2.G. of the Franchise Agreement).

#### 11.2 Franchisor's Obligations After the Opening of the DUCTZ Business

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

1. New products, services and methods that we may have discovered or have developed for the System (Sections 3 and 7 of the Franchise Agreement);
2. The purchase and use of supplies and products (Sections 3 and 7 of the Franchise Agreement);
3. The formulation and implementation of marketing, advertising, and promotional programs using the merchandising, advertising, and research data and advice as we may, periodically, develop for use in your local market (Sections 3 and 7 of the Franchise Agreement);
4. The financial and daily operation of the DUCTZ Business including its accounting and record keeping functions (Sections 3 and 7 of the Franchise Agreement);
5. Other business and marketing advice (Sections 3 and 7 of the Franchise Agreement);
6. Support for our franchise software management system, as defined in the Licensing Agreement (Exhibit C of Franchise Agreement);

7. A 24-hour contact telephone number, for you to use for your business (Section 2.G of the Franchise Agreement);
8. Periodic modifications to the Manuals to reflect changes in the System standards (Section 3.E of the Franchise Agreement); and
9. Periodic refresher training courses and conferences. (Section 3.A of the Franchise Agreement).

### 11.3 Estimated Typical Length of Time to Open the DUCTZ Business

The estimated typical length of time between the signing of the Franchise Agreement and payment of any consideration for the DUCTZ Business, and the opening of the DUCTZ Business, is between 90 and 120 days. Factors affecting this length of time usually include normal business startup considerations, completion of Business Manager and Technical Operations Training, the vehicle delivery date and whether or not you have an existing Office Site in the Territory. However, you must commence operation of the DUCTZ Business within four months of signing the Franchise Agreement and if you do not, then we may terminate the Franchise Agreement. (Section 12.B.2 of the Franchise Agreement).

### 11.4 Local Marketing and Advertising (Section 2.G of the Franchise Agreement)

We are not required to conduct advertising for you or the System and we are not required to spend any particular amount on advertising in your Territory. We may provide you with advertising, promotional or marketing materials for you to use in local advertising, but we are not obligated to do this.

You agree to actively advertise and promote the Business within the Territory. We require you to expend at least 2% of Gross Sales each month on marketing, advertising, and promotional programs at the local level. All such marketing must comply with our standards and specifications.

You are required to pay the Kick-Start Marketing Fee for the purchase of the Kick-Start Marketing Services, which currently includes: on-going digital marketing support; website development; website analytics tracking; online call-tracking; search engine optimization (SEO) set-up; proactive search engine optimization for a period of approximately four (4) months, pay-per-click search engine advertising set-up; online advertising for a period of approximately four (4) months; review tracking for a period of approximately one (1) year; local listings set-up; local listings support; online directory optimization; and optional chat support setup and functionality. The features of these digital marketing services are subject to change in our sole discretion.

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials from us before their first use. In order to obtain approval of advertising and marketing materials, you must submit such proposed advertising material to us for review at least ten business days before the proposed first use. If we take no action within such ten business day period, the materials shall be deemed disapproved and you may not use such materials. The approval or disapproval is in our sole discretion. We also may, in our sole discretion, require you to immediately discontinue use of any advertising or marketing materials at any time, even if previously approved or provided by us. All advertising and marketing materials must meet our then-current standards and specifications. We may, in our sole discretion, offer and sell advertising, marketing, and promotional materials at any time. Certain items, such as your truck, yard signs and furnace stickers must reference the DUCTZ national toll-free number. You may not alter or remove reference to the national toll-free number. You have no obligation to purchase any of these materials or forms from us, but if we implement

local marketing programs, like a call center and/or direct mail solicitations, you may be required to participate, at your expense. (Section 2.G of the Franchise Agreement).

We have the right to formulate and design the content of the materials, and to discontinue the materials if, in our sole business judgment, we determine a more effective alternative method of advertising. Any other forms of advertising must be approved by us in writing. We may, with 30 days' notice to you, require that you use and pay for a call center that we authorize to answer incoming sales calls. (Section 2.G of the Franchise Agreement).

We may provide you the business phone number to be used by the DUCTZ Business. This number will be forwarded to any device(s) that you choose. You promise to maintain a 24-hour answering system on this business number, use an approved script for answering calls, and you promise to continually list the DUCTZ Business in the primary Internet and telephone directory servicing the Territory and, at a minimum, to maintain a trademark listing advertising your Business in the primary directory servicing the Territory. However, if two or more DUCTZ Businesses and/or Company Stores are served by the same telephone directory, we may require you to list all businesses under one DUCTZ heading. Should this instance arise, you must pay your pro-rata share of the total expense of the joint listing. Any other forms of advertising that would advertise to zip-codes inside your DOT must be pre-approved by DUCTZ in writing. We will notify you within ten days' of our receipt of your written request. (Section 2.G of the Franchise Agreement).

Following the System, primarily through affinity marketing programs, direct mail, networking, and sales calls, you will market your DUCTZ Business's services directly to customer prospects located within your DOT. Included in your Initial Package is an opening inventory of promotional materials to initiate your marketing program. The primary marketing media we have found to be effective are affinity marketing programs, direct mail and face to face meetings, networking and partner development. The Managing Owner must follow up on the Partner Development Program as described in the Manuals.

Additionally, if we implement local marketing programs, like a call center and/or direct mail solicitations, you may be required to participate, at your expense.

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

There are currently no requirements for participation in an advertising council or any local advertising cooperatives, though we reserve the right to establish an advertising council or advertising cooperatives in the future.

### 11.5 Service Technician

You must employ a full-time experienced service technician ("Service Technician") to perform the actual HVAC cleaning and restoration services for the DUCTZ Business. It is your responsibility to train them to our specifications. (Section 3.A of the Franchise Agreement).

### 11.6 Brand Marketing Fund (Section 2.G of the Franchise Agreement)

In addition, we reserve the right, but are not obligated to, establish a national marketing fund (as previously defined as the "Brand Marketing Fund") for the common benefit of System franchisees. We have the right to require you to participate in and contribute up to one percent of your Gross Sales weekly to the Brand Marketing Fund (as previously defined as the "Brand Marketing Fee") in the manner we prescribe. If we require you to contribute to the Brand

Marketing Fund, you must pay the Brand Marketing Fee on a weekly basis each Friday for Gross Sales generated during the preceding week ending on Sunday.

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

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

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

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

We will prepare on an annual basis, within 120 days of the end of the fiscal year, and make available to you upon written request, a statement of contributions and expenditures for the Brand Marketing Fund. The Brand Marketing Fund does not have to be independently audited.

There are currently no requirements for participation in an advertising fund or any local advertising cooperatives, though we reserve the right to establish an advertising fund or advertising cooperatives in the future.

## 11.7 Computer Software, Internet, and Systems

We have developed the DUCTZ Software, which consists of software program(s) which you must use to maintain customer records, bid on jobs, create estimates and operate the DUCTZ Business system. The DUCTZ Software is included in your weekly Technology Fee, which is currently \$45 per week. You are required to use our then-current designated accounting software, which is currently QuickBooks Online and is subject to change. In addition, you are required to follow our specified Chart of Accounts. DUCTZ has the right to change these requirements at our discretion.

We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (i) a compatible “back office” computer system that complies with our standards and specifications; (ii) a custom and proprietary point of sale system (the “POS System”), if we make such a POS System part of our proprietary operating system in the future; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the “Computer System”). Currently, your Computer System must include a fiber-optic internet or other high speed internet or cable modem high-speed Internet connection located at your Office Site that meets the requirements of the System Standards and for handling of our then-current DUCTZ Software. We estimate the cost of the computer system to be approximately \$1,500. Computer specifications for hardware and Internet connectivity are provided in Sections 2.H and 2.I of the Franchise Agreement. We have the right to independently access the information generated and stored in the Computer System and/or the DUCTZ Software.

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

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

We may require that your Computer System be programmed to automatically transmit data and reports about the operation of the DUCTZ Business to us. We shall also have the right to, at any time without notice, electronically connect with your Computer System to monitor or retrieve data stored on the Computer System or for any other purpose we deem necessary. There are no contractual limitations on our right to access the information and data on your POS System, DUCTZ Software, and Computer System. You shall deliver to us all access codes, static Internet



protocol (“IP”) addresses and other information to facilitate our access to the data described in this Section within 30 days of opening the DUCTZ Business.

You must obtain the computer hardware necessary to implement the DUCTZ Software, and comply with all specifications and standards prescribed by us regarding the DUCTZ Software as provided in the Manuals. We reserve the right to create additional proprietary software programs, which you must use in connection with the DUCTZ Business. The Require Software, including the DUCTZ Software, will be our proprietary product, and the information collected therefrom will be deemed our confidential information.

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

As technology advances, you may be required to upgrade your hardware to meet changing software requirements as we deem necessary. The DUCTZ Software is web-based and we do not charge you for software updates and upgrades. We will require you to upgrade your computer hardware, but no more than two times during the initial term, at a cost not to exceed \$3,000.

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

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

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

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

We shall have the right to modify the provisions of this Item.

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

### 11.8 Telephone Listings

At our discretion, we may provide you with a number to use as the primary business number for your DUCTZ Business. As part of your local marketing, this number must be dedicated to your DUCTZ Business. You must maintain a 24-hour answering system on this business number, use an approved script for answering calls, and you must continually list the DUCTZ Business in the primary Internet and telephone directory servicing the Territory and, at a minimum, to maintain a trademark listing advertising your Business in the primary directory servicing the Territory.

We currently offer a service through which selected phone calls to our toll-free phone number will be forwarded to you or us. In the offering of this service, we will use commercially reasonable efforts to maintain this service 24 hours per day, seven days per week, subject to acts of God or circumstances beyond our reasonable control, including power outages and the unavailability of telephone services. In the phone routing process, we use commercially reasonable efforts to route calls from prospective customers requesting service in the Territory to you. We do not guarantee that every phone call requesting service in the Territory will be routed to you. We reserve the right to modify or terminate this service at any time, in our sole discretion, including, without limitation, the right to require that all customer calls be directed through our toll-free line or any other telephone number we designate. Currently, the cost of this toll-free number and forwarding call is including in the Technology Fee. (Section 2.I of the Franchise Agreement).

### 11.9 Reference Guides

Upon request, you may view the Manuals at our offices in Ann Arbor, MI or elsewhere as arranged, before you purchase the DUCTZ Business. Before your review, you will sign our then current form of confidentiality and non-disclosure agreement (Exhibit A-3 of the Disclosure Document).

The Manuals will contain mandatory and suggested specifications, standards, operating procedures, and rules that we prescribe periodically for the operation of a DUCTZ Business, and information on your other obligations under the Franchise Agreement and related agreements. We may modify the Manuals periodically to reflect changes in the System standards.

You must keep your copy of the Manuals current and in a secure location in the principal office of the DUCTZ Business. If there is a dispute over its contents, the master copy of each of the Manuals that we maintain at our principal office will be controlling. You may not at any time

copy, duplicate, record, or otherwise reproduce any part of the Manuals. If all or any of the Manuals are lost, destroyed, or significantly damaged, you promise to obtain replacements at our then applicable charge. The Manuals are specifically incorporated by reference into the Franchise Agreement, and you must comply with the Manuals as an essential aspect of your obligations under the Franchise Agreement. Failure to substantially comply with the Manuals may be considered a breach of the Franchise Agreement.

The following is the current table of contents of our Manual – DUCTZ Service Technician Training Manual, as of the date of this Disclosure Document, though we reserve the right to modify this at any time:

<b>Topic</b>	<b>Number of Pages</b>
Introduction	9
Understanding HVAC Basics	4
General Principles of HVAC Cleaning	20
DUCTZ Procedures for Cleaning Residential Air Duct Systems	31
History of Duct Cleaning	4
Principles of Heating Ventilation and Air Conditioning Systems	6
Mechanical System History	7
Total Pages	81

The following is the current table of contents of our Manual – Tools and Equipment, as of the date of this Disclosure Document, though we reserve the right to modify this at any time:

<b>Topic</b>	<b>Number of Pages</b>
Hole Cutting Tools	3
Drill Motors	3
Duct Entry and Closure Tools	7
Hand Tools	5
Electrical	3
Duct Cleaning Brushes, Cable Drives, Rods	6
Miscellaneous Hand Tools	5
Vacuum Equipment	8
Air Operated Equipment	4
Observation Investigation Devices	2
Total Pages	46

### 11.10 Site Approval

You must also select your business office site within the Designated Office Territory (as previously defined as the “Office Site”), and we must approve such Office Site in our sole discretion. You may not locate your office outside of the DOT without our express written consent. If your Office Site is located outside of the DOT (pursuant to our prior permission), you agree that if a DUCTZ franchisee purchases the Territory where your Office Site is located, or if a Company Store is opened, you will move the location of your Office Site to another site approved in writing by us, unless you have obtained written authorization from DUCTZ, as well as from the new DUCTZ franchisee or DZNA.

### 11.11 Jumpstart Initial Training

You must successfully complete our Jumpstart Initial Training program (Section 3.A of the Franchise Agreement) within one month of signing the Franchise Agreement, before attending Business Management and Technical Operations Training (as defined below) and before the

opening of the DUCTZ Business. Additional persons employed by you may attend on a space available basis, contingent upon our receipt of our training fee to offset the expenses we incur. All attendees who are not a party to the Franchise Agreement must sign our prescribed form of confidentiality and non-disclosure agreement (Exhibit A-3 of the Disclosure Document). You must pay for your own and your employees' travel and living expenses while attending the Business Management and Technical Operations training program.

During the Jumpstart Initial Training program, with guidance from our training team, along with training manuals and online modules, you must prepare a comprehensive financial plan, review the Manuals, complete a territory review, coordinate your initial advertising program, acquire proper insurance, select and lease office space, and acquire all permits, licenses, and approved vehicles. All Jumpstart Initial Training activities are to be completed before attending Business Manager and Technical Operations Training and before opening of the DUCTZ Business, and are conducted in your hometown with assistance from our home office staff. You begin Jumpstart Initial Training immediately upon your execution of the Franchise Agreement and payment of all initial fees. During Jumpstart Initial Training, we will schedule Business Manager and Technical Operations Training for you to attend. Sessions are typically offered each month. Final confirmation of your scheduled classroom training may be contingent upon your successful completion the Jumpstart Initial Training. After you return from the Business Manager and Technical Operations Training you are ready to open for business.

*11.12 Business Manager and Technical Operations Training*

Before you begin operating the DUCTZ Business and after you have completed Jumpstart Initial Training, we will furnish business manager and technical operations training (the “Business Manager and Technical Operations Training”) to the Managing Owner or, if applicable, the Designated Manager, at no additional fee. The Managing Owner or, if applicable, the Designated Manager must complete the Business Manager and Technical Operations Training to our satisfaction and failure to do so will result in the termination of the Franchise Agreement. The Business Manager and Technical Operations Training may not commence until you have paid all fees due to us.

The Business Manager and Technical Operations Training will last up to 7 days in duration in Ann Arbor, Michigan, at our headquarters, the BFG training center, or another location designated by us. You will be responsible for all travel and living expenses that you and your employees/owners incur for this Business Manager and Technical Operations Training.

Our primary training program instructors are Jessica Wicks and Tom Yacobellis. Ms. Wicks and Mr. Yacobellis' years of experience with us and in the franchise, HVAC cleaning and restoration services industries are listed below:

<b>Training Instructor</b>	<b>Years of Experience in Industry</b>	<b>Years of Experience with DUCTZ</b>
Jessica Wicks	25	14
Tom Yacobellis	41	17

In the event that you own multiple DUCTZ Businesses and have your Managing Owner already at another DUCTZ Business who has already completed the Business Manager and

Technical Operations Training, the Managing Owner will still be required to successfully complete the most recent online training modules essential to the role of ownership.

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

Training modules cover:

- Marketing, public relations, and relationship and direct selling techniques to build the customer base.
- The DUCTZ Core Product Certification for HVAC cleaning and restoration.
- Administrative activities including use of the DUCTZ Software.
- The DUCTZ Bid Estimator systems.

Listed below are the general modules and details of the Business Manager and Technical Operations Training. We reserve the right to modify the Jumpstart Initial Training and/or Business Manager and Technical Operations Training, including the training materials, training subjects, hours of training, and overall length of training at any time. We reserve the right to offer the Business Training Program in person or virtually.

## FRANCHISE TRAINING PROGRAM

### Technical Operations Training Program

<b>Content</b>	<b>Hours of Classroom Training</b>	<b>Hours of Hands-On Training</b>	<b>Location</b>
Introduction to DUCTZ University	.5	0	DUCTZ University, virtual
History of Air Duct Cleaning	1	0	DUCTZ University, virtual
Mechanical Systems History	1	0	DUCTZ University, virtual
Understanding HVAC Systems	1	0	DUCTZ University, virtual
General Principles of HVAC Cleaning	1.5	0	DUCTZ University, virtual
Safety	1	0	DUCTZ University, virtual
DUCTZ Procedures for Residential Cleaning	2	0	DUCTZ University, virtual

<b>Content</b>	<b>Hours of Classroom Training</b>	<b>Hours of Hands-On Training</b>	<b>Location</b>
Highlight Training Resources	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
HVAC Visual Assessment and Duct Types	1.0	.75	BFG Training Center , Ann Arbor, Michigan (or other location designated by us)
HVAC Restoration DUCTZ Core Product Concept	1.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Acceptable Levels of Cleanliness Industry NADCA ACCA	.75	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Tools for Mechanical Agitation	0	1.25	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Air Duct Cleaning Tools and Equipment	0	1.25	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Evaporator Coil Refurbishment	0	.75	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
HEPA Filtered Equipment	0	.25	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Collection Unit Inspection and Cleaning	0	.75	DUCTZ University, virtual
Asbestos Awareness	1.0	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Creating a DUCTZ Access Metal Ductworks Principals Process	0	.75	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Access Closure for Metal, Metal Lined, Fiberglass, Duet board	0	1.25	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Filtration Basics	0	.5	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Dryer Vent Cleaning	.5	.5	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)

<b>Content</b>	<b>Hours of Classroom Training</b>	<b>Hours of Hands-On Training</b>	<b>Location</b>
Preparing for National Service Team (NST)	1.0	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Competitive Services	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Product Application in HVAC Systems	1.0	1.0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
UV Installation	0	.75	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Duct Sealing	.5	1.0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Introductory Commercial Estimating	1.25	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Assessment Reports and Documentation	1.25	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)
Putting it All Together—Particle House Cleaning	0	3.0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us)

### **Business Training Program**

<b>Class Content</b>	<b>Hours of Classroom or Virtual Training</b>	<b>Hours of Hands-On Training</b>	<b>Locations</b>
DUCTZ Business Model	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Sales & Business Development Training	1	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
BELFOR Relationship & Policies	1	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual

<b>Class Content</b>	<b>Hours of Classroom or Virtual Training</b>	<b>Hours of Hands-On Training</b>	<b>Locations</b>
Customer Reviews	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Creating Photo Reports	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Creating Proposals & Requests for Proposals	1	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Add-On Sales	0.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
DUCTZ Proprietary Bidding Software	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Residential Pricing & Competitor Review	0.45	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Xactimate Overview	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
DUCTZ National Service Team	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
National Air Duct Cleaners Association (NADCA)	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
DUCTZ University	.15	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual



<b>Class Content</b>	<b>Hours of Classroom or Virtual Training</b>	<b>Hours of Hands-On Training</b>	<b>Locations</b>
G Suites Overview	.15	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
DUCTZ Business Software Training	2.0	1	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Marketing	1.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
HR – Recruitment & Retention	.75	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Goal Setting & Profit & Loss Projecting	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Financial Statements, Profit & Loss Projecting & Breakeven	1.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Job Costing	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Accounting	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
Territory & Legal	.5	0	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual
DUCTZ Truck & Initial Package	.5	1	BFG Training Center, Ann Arbor, Michigan (or other location designated by us), virtual

<b>Class Content</b>	<b>Hours of Classroom or Virtual Training</b>	<b>Hours of Hands-On Training</b>	<b>Locations</b>
TOTAL HOURS*	34.75	15.75	

\*Does not include meals, breaks, etc.

### 11.13 Additional Training

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

The Managing Owner or, if applicable, the Designated Manager, must attend the Convention at least once every two years. The Managing Owner or, if applicable, Designated Manager also must attend periodic refresher training courses and conferences, at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that are incurred by you or your employees/owners while attending such session. Some of these events may occur outside of your home state. Past locations have included Florida, Texas, and Michigan. We will determine the duration, curriculum, and location of any of these sessions. The curriculum for online training and these events can include, but is not limited to, technical training, business plan analysis, marketing, profitability, and maximizing your business opportunities. You must pay for all registration fees, travel and living expenses that you incur while attending such sessions. You must attend at least one DUCTZ convention every two years. You do not have to attend any refresher training courses or conferences more than once a year.

### 11.14 Accounting and Financial Reporting

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

1. at our request, a complete employee list;
2. within 10 days of our request, un-audited income statement for the requested time period in a form satisfactory to us, and such additional reports as we may require;
3. within 90 days after the close of your fiscal year, a complete income statement and other financial statements in a form we may prescribe in our sole discretion;
4. within ten days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the DUCTZ Business, as well as the state, federal and other income tax returns from your existing HVAC cleaning and restoration business(es), which we may need to review to assure all Gross Sales have been accurately reported;

5. by November 1 of each year, financial projections and a marketing plan for the upcoming year in the form we may prescribe in our sole discretion; and
6. any other reports we may require in the future.

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

If you are unable to provide the information listed above as requested, we may require you to use a specific online accounting software for which there may be a fee.

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

#### 11.15 System Standards

You must adhere to and follow DUCTZ and NADCA standards taught during Business Manager and Technical Operations Training. Adhering to these industry standards is required to assure consistency and quality service throughout the DUCTZ System and to verify compliance to standards for customers.

### **ITEM 12. TERRITORY**

#### 12.1 The Territory

As defined in Item 1, each DUCTZ Business will be awarded a geographic territory (the “Territory”) which includes a Designated Office Territory (“DOT”) where you may advertise, market and solicit business and a Regional Service Area (“RSA”), and where you may also perform Services to customers but where you may not advertise or market your DUCTZ Business. Your specific DOT and RSA are collectively referred to as the “Territory” and are described in the Summary Page to the Franchise Agreement. The DOT consists of the specific zip-code(s) specified in the Summary Page to the Franchise Agreement that have been awarded to you. We will not allow another DUCTZ Business or Company Store to perform work within your DOT unless: (i) you are not in full compliance of your Franchise Agreement or (ii) the other DUCTZ Business is following their Protected Partner into your DOT. Further, no other DUCTZ Business may advertise in print, media or web-based advertising within your DOT.

Should you not be in full compliance, we have the right to allow other compliant DUCTZ Businesses to perform work in your DOT. The RSA is a geographical area within a 30 mile radius from the DOT made up of zip codes, as specified in the Summary Page to the Franchise Agreement. You do not have any ownership rights to the RSA. Within the RSA, you may not advertise in print, media, or web-based advertising. You may not protect partners located in the RSA without our prior written permission; however, you may follow Protected Partner leads and service customers for the DUCTZ Business as described in Section 1 of the Franchise Agreement. The Franchise Agreement grants you the right to operate the DUCTZ Business only within the Territory defined in the Franchise Agreement.

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

We identify your Territory by zip codes as determined by Census Bureau statistics. We will not alter the DOT during the term of the Franchise Agreement without your prior written

permission. During the term of the Franchise Agreement, we will not allow you to relocate the DOT or RSA; however, the exact boundaries of the Territory may change in the future, as future zip code changes are made by the United States Postal Service or Census Bureau.

A DOT will generally include up to 200,000 households. It will include a minimum of 100 potential Protected Partners located within the DOT. As of the date of this Disclosure Document, we are utilizing data that has been collected by a national demographics company to determine the number of households in each Territory. We are also utilizing data that has been collected by a national mailing company that provides the number of Protected Partners and their contact information.

## 12.2 Advertising and Servicing of Customers for Franchises

### ***Advertising Within the DOT***

You may: (a) advertise, solicit, and market your DUCTZ Business to residential and commercial customers located in your DOT; (b) provide Services to residential and commercial customers located in your DOT; and (c) solicit and secure Protected Partners who are located in your DOT.

### ***Advertising Within the RSA***

You may provide Services to residential or commercial customers located in your RSA, however you are prohibited from advertising, soliciting, or marketing your DUCTZ Business and from soliciting or securing Protected Partners within your RSA. You are not permitted to service outside of your RSA without our prior written approval.

In addition, you may not perform work inside the DOT of another DUCTZ franchisee unless (a) you are performing work for a Protected Partner and such Protected Partner is clearly identified in the DUCTZ Software prior to the service event and (b) you have received prior written permission from us or our affiliate, DZNA. Performing one of these prohibited actions is a default under the Franchise Agreement. After the first occurrence of incident, a written notice of default will be issued. A second default will result in a fine up to \$10,000. Three defaults may result in the termination of your Franchise Agreement and a fine of up to \$10,000 per repeated occurrence. We reserve the right to waive or reduce the fine if the incident is deemed accidental in our sole discretion.

DUCTZ franchisees and Company Stores may not advertise within your DOT without your and our written approval. You may not service a Protected Partner who is protected by another DUCTZ Affiliate. Likewise, they may not service a Protected Partner who is protected by you.

You may not advertise or service in any way, any customers outside the RSA, even if the area has not been awarded to another DUCTZ Affiliate, without our prior written permission. All zip codes that have not been awarded to a DUCTZ franchisee or Company Store are corporately owned (“DUCTZ Corporate Territory”) and you may not advertise or provide Services there without our prior written permission; however, you may service the specific zip codes of DUCTZ Corporate Territory if they are included as part of your RSA.

Although we have not done so, we and our affiliates may sell products under the Marks within and outside the Territory through any method of distribution, although within your DOT it may not be through a DUCTZ Business. This includes sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (collectively, the “Alternative Distribution Channels”). You may not use Alternative Distribution Channels to solicit or accept orders from outside or inside the Territory and you may not receive compensation for

our sales through Alternative Distribution Channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web, or other computer network site, or sell through any other Alternative Distribution Channel, and we receive orders for any System products or residential Services calling for delivery or performance in your DOT, we will offer the order to you at the price we establish. If you choose not to fulfill the order, if you do not meet the requirements, or if you are otherwise unable to fulfill the order, then we, or another DUCTZ Affiliate may fulfill the order, and you will be entitled to no compensation in connection therewith.

We and our affiliates may use Alternative Distribution Channels to make sales within the Territory of products or services under trademarks different from the Marks you will use under the Franchise Agreement.

### 12.3 Protected Partners

A partner is protected when entered into the DUCTZ Software (as defined in Section 2.H of the Franchise Agreement) and marked as a “Protected Partner.” We will also provide you with a list of potential Protected Partners within your DOT who will be protected by you once entered into the DUCTZ Software and market as a “Protected Partner.” All Protected Partners in your DOT will remain “Protected” so long as you are in full compliance of your Franchise Agreement. However, for Protected Partners outside of your DOT, that Protected Partner will stay protected for a period of one year after the completion of the previous job. During this time, other DUCTZ Affiliates cannot service them. However, if you have not completed a job for them at the end of this time period, you will lose their protected status, in which case another DUCTZ Franchisee may service them. If they do give you a job, then their protected status will continue for one year from the date of that job. You may not service any Protected Partner who is protected by another DUCTZ Franchisee. You must check the DUCTZ Software before servicing any potential Protected Partner to see if they are protected by another location. Only Protected Partners and no other customers may be protected by a franchisee. If you have a Protected Partner who relocates their business outside of your DOT and into another DUCTZ franchisee’s DOT, you may no longer provide service to that Protected Partner. In these cases, these former Protected Partners must be handed over to the DUCTZ business where the Protected Partner’s business resides. A residential customer and/or a BELFOR office are not considered a partner and cannot be protected.

### 12.4 National Service Team and DZNA

The DUCTZ National Service Team (as previously defined as “NST”) and other divisions of DZNA service national and/or regional accounts and perform and/or assist in various large or complex scope, emergency, and rapid response projects, as well as in times of catastrophic loss. Some of these jobs may be performed in the Territory awarded to you. DZNA also locates, sells and manages HVAC cleaning and restoration projects throughout the United States and internationally. They also currently work with DUCTZ to provide technical assistance to DUCTZ franchisees.

Notwithstanding any other provision(s), implied or express, to the contrary, it is acknowledged and agreed that DZNA and/or we have the right to investigate, estimate, manage, and conduct work within the Territory for NORAs according to the provisions of the Franchise Agreement.

At times, you may be bidding on non-NORA projects that you cannot self-perform completely with your own full-time employees and equipment in the timeframe required by the customer. In these situations, we recommend you promptly contact DZNA or us for support and assistance. The support and assistance that may be provided currently includes guidance on Co-Venturing (as defined below) with other DUCTZ franchisees, bidding software technical training, and assistance and project supervision under certain conditions established by DZNA. When needed, such assistance will be agreed upon and specified in writing between you and DZNA before any obligations are created on behalf of DZNA and you. As a separate entity from us, DZNA may choose to accept or decline assistance on any project at their discretion. Their decisions are typically based on the project size, location, timing and available staffing.

If you decide to refer an entire job to DZNA, and they perform the services, DZNA will pay you a mutually agreed upon referral fee of up to five percent of the total amount received by DZNA minus hotel, travel, per diem and other project costs not marked up by DZNA, capped at \$14,000 (“Referral Fee”).

If a NORA is established in your DOT, you will receive exclusive referrals by us of any residential jobs we receive to be performed within your DOT, provided that you: (a) service these accounts consistent with the terms and conditions of our NORA relationship(s), (b) provide service to the satisfaction of these NORAs, (c) can meet the completion deadlines with your permanent staff, and (d) are in full compliance with the Franchise Agreement. Any such residential or non-residential NORA accounts that are in DUCTZ Corporate Territories will be assigned by us to DZNA or the nearest DUCTZ Franchisee that is in compliance with DUCTZ System and capable of servicing the NORA, as determined by us.

BELFOR is a National Strategic Partner (as defined in the Manuals) and special case NORA. Non-residential opportunities and inquiries from a BELFOR office must be promptly referred to DZNA for disposition and management. DUCTZ will work with you and coordinate efforts to develop relationships with any BELFOR office that may be located in your area. It is our intention that these efforts will result in residential work assignments from local BELFOR office(s) in the Territory, directly to you. You may also be given an opportunity to self-perform work, co-venture with other franchisees or participate in and/or provide labor to DZNA on any non-residential BELFOR contract in the Territory, subject to any applicable BELFOR requirements, provided you are in full compliance with your Franchise Agreement and have completed the BELFOR Vendor Packet/Master Service Agreement for the year. Non-residential BELFOR work referred to DZNA is not subject to a Referral Fee.

At times, you may be bidding on NORA projects which you cannot manage completely on your own. We reserve the right, at our discretion, to require that a DZNA supervisor be onsite to oversee certain projects. Such assistance will be agreed upon and specified in writing between you and DZNA before any obligations are created on behalf of DZNA and you.

If a NORA job is referred to you, you agree to abide by the DUCTZ System, methods and procedures, as outlined in the Manuals (as defined in Section 3.E of the Franchise Agreement), which include, but are not limited to the following:

1. Respond to the customer within 60 minutes with acceptance and scheduling information. If a call comes in after your normal operating hours, you must respond within 60 minutes of opening. If you do not make contact with the customer within two hours of receiving a job (or two hours of opening if it came in after hours), the job will be deemed to have been turned down. We may then assign the job to the

closest DUCTZ Franchisee in compliance with their franchise agreement or to the NST with no compensation to you.

2. If you are conducting a NORA project, and the customer has additional requirements, you agree to follow those requirements, which will be provided to you in writing. You may be required to sign a contract with the Customer amending the base NORA National Contract for that service location. All work is subject to the terms, conditions and pricing established by DUCTZ for that National Contract or the National Strategic Partner as a prerequisite for participation in these programs. These terms may vary depending on the situations and circumstances.
3. At your option, you may decide not to perform Services for any one or more of the NORA(s) contracted in your Territory. You agree to allow us to select another DUCTZ Franchisee to perform the work with no further obligation to you.
4. In the event that you do not comply with all of the requirements in a NORA Contract, or if we are directed by a NORA customer at any time for any reason to not have you perform a NORA job in the Territory, then we reserve the right to refer such NORA business to another DUCTZ Franchisee or the NST and you agree to fully indemnify us for any non-compliant work you perform on a NORA project. If a NORA customer expresses a concern about you, we will cooperate with you to resolve the NORA's concerns. However, after we exercise what we believe to be reasonable efforts to rectify the problem, if the NORA continues to refuse to do business with you, or you decline to do business with them, then you agree that any DUCTZ Franchisee that we designate may provide services for that NORA in the Territory. In any event, neither the DUCTZ Franchisee nor we (a) are liable or obligated to pay you any compensation for doing so, and (b) will not be considered in breach of any provision of the Franchise Agreement or any other agreement between you and us.
5. For purposes of coordinating efforts and results of NORA programs, you must provide us with copies of all reports, forms and notices relating to your pursuit and servicing of a NORA Contract, on a timely basis, using the forms we may specify from time to time. You also agree to coordinate with us any solicitations you conduct that may have potential for development as a NORA. If you are currently servicing a NORA Contract listed on our website, you must notify us in writing about each account, including the date of the last service and your NORA Contracts on the account, in the format that we provide. Copies of any contracts must be provided to us. This information must accompany this fully executed Agreement.

We, DZNA or our designee may offer a job referred to you for less than what we are being paid for the job by the third party. This is to cover our administration responsibilities in securing the job, and is in addition to the normal Royalty that is due to us. You have the option to turn down the job, as described above.

### 12.5 Restrictions

Any project or enterprise undertaken jointly by two or more DUCTZ franchisees will be known as "Co-Venturing". Co-Venturing with other franchisees must be managed through DUCTZ and you agree to complete all necessary paperwork we may reasonably require, obtain our written permission prior to launching the project, and adhere to program standards while completing the project.

## 12.6 Our Rights within the Territory

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

1. establish, and allow other DUCTZ franchisees to establish, DUCTZ Businesses at any location inside or outside of the Territory on any terms and conditions, but subject to the same restrictions upon their servicing in the Territory that you are subject to when servicing in their Territory; under no circumstances will another DUCTZ Business or Company Store advertise in print or media in the Territory, without your prior written consent, except only as provided in the Franchise Agreement;
2. establish solicit, market to and build regional and national account relationships, whose offices may be located in the Territory as is further outlined in the Franchise Agreement;
3. offer and sell services and products anywhere that do not comprise a part of the System and, in connection with this right, to exploit our Marks, name, reputation, and know-how;
4. solicit and perform non-residential, commercial and/or industrial HVAC cleaning and restoration in any geographic market;
5. acquire businesses providing services similar to those provided under the System and to be acquired by such a business; and
6. use and license to engage in any other activities not expressly prohibited in the Franchise Agreement.

## 12.7 Additional Franchises and Expansions

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

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

## 12.8 Minimum Gross Sales Requirement

Following your first full year of operation, DUCTZ Businesses must maintain the following minimum levels of monthly Gross Sales (the “Minimum Gross Sales”):

<b>Months in Operation</b>	<b>Minimum Monthly Gross Sales Required</b>	<b>Minimum Monthly Royalty Required</b>
0 to 12 months	No Minimum	No Minimum
13 but less than 24	\$9,200	\$920



25 but less than 36	\$13,800	\$1,380
37 but less than 48	\$18,000	\$1,800
Greater than 48	\$23,000	\$2,300

If you do not achieve the required Minimum Gross Sales after 12 months in operation, we may collect a Royalty equal to what you would have been assessed had you achieved the Minimum Gross Sales. In that instance, in addition to the Royalties you actually paid, we will collect the Royalties on the difference between the Gross Sales reported for the month and the Minimum Gross Sales on the Friday following the prior month end.

If the DUCTZ Business fails to achieve the required Gross Sales Requirement during any consecutive three month period, we reserve the right to terminate the Franchise Agreement, to establish another DUCTZ franchisee or Company Store in the Territory or allow another DUCTZ franchisee to advertise and service customers in your Territory. You agree that any franchise or Company Store we designate may provide Services in the Territory. Neither the franchise or Company Store nor we are liable or obligated to pay you any compensation for doing so, and neither the franchise nor we will be considered in breach of any provision of the Franchise Agreement or any other agreement between you and us regardless if minimum sales are achieved in the future.

If you are awarded more than one DUCTZ Business, the dollar values for the Minimum Gross Sales would increase for each additional DUCTZ Business you are awarded. For a second DUCTZ Business the numbers would double, for a third, they would triple, etc.

If this is a Renewal Term, then you will be required to meet the Minimum Gross Sales requirement for the greater than 48 month level for the entirety of the Renewal Term.


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

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

### **ITEM 13: TRADEMARKS**

Our parent, BELFOR Franchise Group, LLC, owns the trademarks, service marks, trade names, logotypes, and numerical symbols listed below and licensed us the right to use such marks for promotion, use, license, and sale throughout the United States, its territorial possessions, and the District of Columbia. The Franchise Agreement grants to you the license to operate the System under the DUCTZ name and under any other trade names, trade dress, indicia, trademarks, service marks, and logos currently used or that may be used in the operation of the System.

The following trademarks, service marks, trade names, logotypes, or other commercial symbols are registered with the United States Patent and Trademark Office (“USPTO”), and all required affidavits have been filed unless otherwise noted. All registrations are on the principal register unless otherwise noted:

Registration	Registration #	Registration Date	Register
DUCTZ (IC 037, 040, 042)	3,759,740	3/16/2010	Principal
 (IC 035, 037, 040)	3,813,132	7/06/2010	Principal
DUCTZ (IC 035)	3,864,232	10/19/2010	Principal

We or our parent have filed all required affidavits and renewals with respect to these registrations.

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

Pursuant to a license agreement dated January 1, 2019, our parent licensed us the use of the Marks in connection with our business of granting franchises in the United States (“License Agreement”). The License Agreement will continue until it is terminated and may only be terminated only in an event of default, if our parent ceases to be our parent, or by the agreement of both parties. In any event of termination, we will be entitled to complete all of our obligations under any franchise agreement that has been entered into as of the termination date.

No state trademark registrations have been filed.

Except for the registrations of the above Marks, there are no other effective determinations of the USPTO or of the trademark administrator of any state or court. There are no pending proceedings or material litigation involving Marks that are relevant to their use.

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

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

You promise to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, in any infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the right to control exclusively any litigation, USPTO proceeding, or any other administrative proceeding arising out of any infringement, challenge, claim or otherwise relating to any Mark. Provided that you have timely notified us of the claim or proceeding and complied with this Agreement as we determine in our sole discretion, we shall indemnify and hold you harmless against reasonable litigation expenses incurred in connection with any such infringement, challenge or claim. If we, in our sole discretion, determine that you have not used the Marks in accordance with this Agreement, you will bear the cost of such defense, including the cost of any judgment or settlement. You promise to sign any and all instruments and documents, render the assistance, and do the acts and things that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our

interests in any litigation or USPTO or other proceeding, or otherwise to protect and maintain our interest in the Marks, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket costs in performing such acts.

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

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

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

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

### ***14.1 Patents and Copyrights***

You do not receive the right to use any item covered by a patent. There are no pending patent applications that are material to the franchise. We do not own any registered copyrights which are material to the franchise; however, we claim copyrights in the Manuals, advertising materials, DUCTZ Software, business forms, videos, CDs and other printed and advertising material used in operating the System. We have not registered these copyrights with the United States Registrar of Copyrights. You must use these items only in the way we specify and only while operating your DUCTZ Business.

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

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements currently in effect that significantly limit our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses that could materially affect your use of

the copyrighted materials in any state. We need not protect or defend copyrights, although we may do so when this action is, in our opinion, in the best interest of the DUCTZ System.

The Manuals and other materials we possess contain our confidential information and/or trade secrets. This information may include (a) general operating procedures for a DUCTZ Business; (b) the proprietary DUCTZ Software and any other Required Software; (c) personnel guidelines for hiring, training, retaining, promoting, and supporting the marketing and sales staff; (d) the Jumpstart Initial Training program and Business Manager and Technical Operations Training program© (e) written marketing and advertising materials, audiotapes, videos, and programs for their utilization; (f) knowledge of specifications and suppliers of certain equipment and supplies for the DUCTZ Business; (g) information on operating results and financial performance of DUCTZ Businesses other than your own; (h) the Manuals and the DUCTZ franchisee internet site and its contents; (i) sales guidelines and strategies for developing business relationships in the insurance industry; (j) Customer Information, as defined below; and (k) any other information we deem confidential. We also own any and all customer lists and their contents that we provide to you and/or that you subsequently develop during the normal course of operating the Business. You are required to keep an up-to-date list of all current and former customers in the DUCTZ Software, including their name, telephone number, complete mailing address, frequency of service, last date serviced, and price of service (“Customer Information”).

#### 14.2 Proprietary Information

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

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

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

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

You must at all times faithfully, honestly, and diligently perform your obligations under the Franchise Agreement. Except as stated herein, you must designate at least one managing owner (the “Managing Owner”) who will be our primary individual contact with the DUCTZ Business and who we will approve in our sole discretion. The Managing Owner must be one of the Owners of the Franchisee entity. A Managing Owner may, in our sole discretion, serve as the Managing Owner of more than one DUCTZ Businesses that are owned by you; provided, however, that we may, in our sole discretion, require you to designate a person who will serve as the primary individual contact for this DUCTZ Business (the “Designated Manager”). We must approve of the Designated Manager in writing, which we may grant in our sole discretion. The Managing

Owner and, if applicable, the Designated Manager, must (a) successfully complete the training program as described in and required by the Franchise Agreement and (b) be ASCS/VSMR certified within 30 days of the completion of training. The Designated Manager is not required to have an ownership interest in the DUCTZ Business. The Managing Owner or, if applicable, the Designated Manager must continuously exert their full-time best efforts to manage, promote and enhance the DUCTZ Business, and such other DUCTZ Businesses as we permit in our sole discretion. Without our prior written permission, the Managing Owner and, if applicable, the Designated Manager, must not engage in any other business or activity that conflicts with their obligations to operate the DUCTZ Business on a full-time, year round basis. In the case of multiple Owners, the Owner with day-to-day responsibility and authority to run the DUCTZ Business and with whom we will communicate shall be identified on the signature line as the first Managing Owner.

Before commencing operation of the DUCTZ Business, you must employ at least one person who has completed the Business Manager and Technical Operations Training. Before you begin operating the DUCTZ Business, you must also hire one Service Technician who will be responsible for performing and overseeing your HVAC cleaning and restoration services. At all times during the term of the Franchise Agreement, you must have employed at the DUCTZ Business a person who has completed the Business Manager and Technical Operations Training.

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

Before attending the Business Manager and Technical Operations Training and/or upon any change to the legal entity ownership, you must submit to us a corporate resolution, or similar action, which states the name of the corporation or LLC, the legal names of all of the partners or shareholders, the percentage of ownership that each member controls, their place of residence and their agreement to be bound by the terms of the Franchise Agreement. In the case of multiple owners, you must submit a dispute resolution procedure acceptable to us in our sole discretion that states what you will do in the event that there is a conflict between any owners of the franchisee entity. In addition, at all times, the Owners who have executed the Franchise Agreement must control 67% of the franchisee entity. The remaining Owners must sign a written confidentiality and non-compete agreement in the form we prescribe.

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

You must offer and provide only and all of the services that we periodically require for DUCTZ franchisees in the manner that we prescribe. You may not market or perform any air duct or HVAC cleaning services that we have not authorized, including those listed on the then current exception list, or other insurance restoration services, without our express, prior written approval. Our System standards may regulate required or authorized services and service categories and supplies. There are no limits on our right to periodically change required and/or authorized services and service categories, and we may do so at our discretion.

## ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

### THE FRANCHISE RELATIONSHIP

	Provisions	Section in Franchise Agreement (Note 1)	Summary
a.	Length of the franchise term	Section 1.C	10 years.
b.	Renewal or extension of the term	Section 11.A	Two additional, consecutive terms of 10 years each.
c.	Requirements for franchisee to renew or extend	Section 11	In order to renew (which means renewing your franchise relationship with us), you must: (i) be in compliance with your Franchise Agreement; (ii) not have made certain repeated defaults of your Franchise Agreement; (iii) provide us with notice of your intent to renew within the required time; (iv) sign our then-current franchise agreement, which may contain materially different terms; (v) upgrade and remodel the DUCTZ Business, as necessary; (vi) sign a general release (such requirement to sign a general release is subject to change in our sole discretion); and (vii) pay us a renewal fee.
d.	Termination by franchisee	Not Applicable	Not Applicable. You may terminate the Franchise Agreement under any grounds permitted by law.
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with cause.	Section 12	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g.	“Cause” defined – curable defaults	Section 12.C	We may terminate the Franchise Agreement after providing you with notice and a 15-day cure period if you: (i) fail to pay any amounts due to us, or you do not record funds paid to you for jobs completed as required or you default on any loan made to you by us or our preferred lender for the purchase of the Territory; (ii) fail to employ for 2 consecutive months a Service Technician or a Designated Manager; (iii) fail to comply with any applicable law, regulation or ordinance; (iv) fail to comply with the Franchise Agreement, the intranet website, Manuals and/or other confidential materials; (v) fail to comply with modifications to the System standards, intranet website, or Manuals; (vi) fail to make payments on the vehicle resulting in repossession; (vii) use products or materials that do not meet our System standards; (viii) fail to provide any required report, statement, or return; (ix) fail to service all customers in a manner consistent with our System standards; (x) service a customer in another Territory without permission; (xi) fail to endorse any payments due to us that is erroneously made to you; (xii) fail to maintain the hours of operation at the DUCTZ Business; (xiii) fail to personally supervise

	Provisions	Section in Franchise Agreement (Note 1)	Summary
			day-to-day operation or fail to employ a sufficient personnel; (xiv) fail to maintain the strict quality controls; (xv) conduct yourself in a manner that reflects adversely on the System, the Marks, or the products; or (xvi) fail to procure/maintain any required licenses, certifications, or permits.
h.	“Cause” defined – non-curable defaults	Section 12.A & B	<p>The Franchise Agreement will automatically terminate without notice or an opportunity to cure if: (i) you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent; (ii) proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any bankruptcy or insolvency law, and are not dismissed within 60 days, or a trustee or receiver is appointed for you or the DUCTZ Business without your consent, and is not vacated within 60 days; or (iii) you make or attempt to make an unauthorized transfer.</p> <p>We may terminate the Franchise Agreement, immediately, and without an opportunity to cure, effective upon notice, if: (i) your Managing Owner/Designated Manager, fail to attend or successfully complete the required training or the pre-training requirements; (ii) you fail to commence operation of the DUCTZ Business within the required time period; (iii) you have made a material misrepresentation; (iv) you receive 3 or more notices to cure a similar defaults, within any 2-year period; (v) you are convicted, or plead no contest to, a felony; (vi) you understate your Royalty by 3% or more on 3 or more occasions, during any 2-year period; (vii) you engage in any dishonest or unethical conduct; (viii) you violate any provision regarding confidentiality or non-disclosure; (ix) you abandon; (x) you fail to acquire or maintain the required insurance; (xi) you fail to attend the Convention as required; (xii) your Managing Owner/Designated Manager fails to attend required refresher training; (xiii) you fail to train your Service Technician; (xiv) any other franchise agreement you have with us is terminated; (xv) you commit 3 or more defaults-in any 12 month period; (xvi) you materially breach any other agreement with us or our affiliates, or any lease, and fail to cure such breach within any cure period; (xvii) you materially violate any provision pertaining to Marks or Confidential Information; (xviii) you violate any safety or sanitation law, ordinance or regulation; (xix) you violate the in-term restrictive covenant; (xx) a levy or writ of attachment or execution or any other lien is placed against you and not released or bonded within 30 days; (xxi) you become insolvent; (xxii) you order or purchase supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier; (xxiii) you misuse or make unauthorized use of any DUCTZ/Required Software; (xxiv) you fail to comply with the anti-terrorism provision; (xxv) you take for your own personal use any assets or property of the DUCTZ Business; or (xxvi) if there are insufficient funds in your bank account to cover a check or EFT payment 3 or more times within any 12-month period or you fail to achieve minimum sales for 3 consecutive months.</p>
i.	Franchisee’s obligations on termination/non-renewal	Section 13	Upon termination or early expiration of the Franchise Agreement, your obligations include: (i) pay all amounts owed to us; (ii) de-identify and otherwise stop using the Marks in any manner, including in business names and telephone listings; (iii) return all Confidential Information and customer

	<b>Provisions</b>	<b>Section in Franchise Agreement (Note 1)</b>	<b>Summary</b>
			lists to us; (iv) comply with post-term non-competition covenants; and (v) deliver proof of compliance.
j.	Assignment of contract by franchisor	Section 10.A	No restriction on our right to assign.
k.	“Transfer” by franchisee – definition	Section 10.B	Includes transfer or assignment of the Franchise Agreement, the DUCTZ Business or any part thereof, and change of your ownership in an amount of 33% or more.
l.	Franchisor’s approval of transfer by franchisee	Section 10.B	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions.
m.	Conditions for franchisor approval of transfer	Section 10.B	Conditions to transfer: (i) you are in full compliance with the Franchise Agreement or any other related agreement and you have paid all accrued monetary obligations; (ii) the transferee meets our then current standards; (iii) the transferee is not operating a competitive business, unless all competitive services as part of the DUCTZ Business; (iv) you permit us to release to the transferee information about the DUCTZ Business; (v) transferee signs the then-current form of franchise agreement; (vi) you pay us a transfer fee, all Royalties and other fees owed, and all commissions and broker fees, if applicable; (vii) transferee completes training; (viii) you and the transferee sign a general release (such requirement to sign a general release is subject to change in our sole discretion); (ix) we have approved the material terms of the purchase agreement; (x) any of transferee’s financing obligations are subordinate to payments to us; (xi) if transferred to a wholly owned company, then you retain a required percentage of such company; (xii) you have attended training and the DUCTZ Business is open; (xiii) you comply with all post-term obligations; (xiv) transferee obtains all required permits and licenses; (xv) lessors have consented to transfer, if applicable; (xvi) transfer is made in compliance with all laws; and (xvii) transferee purchases an Initial Package.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 10.D	Before transferring your interest in the Franchise Agreement, you must first offer us the right to purchase the interest on the same terms and conditions contained in any bona fide offer and we have 30 days to decide.
o.	Franchisor’s option to purchase franchisee’s business	Not Applicable	We do not have an option to purchase your business.
p.	Death or disability of franchisee	Section 10.C	You must transfer within 12 months of your death or disability. If you are an individual, your heirs may continue to operate your DUCTZ Business. You



	<b>Provisions</b>	<b>Section in Franchise Agreement (Note 1)</b>	<b>Summary</b>
			may transfer to a spouse, child, or parent if they qualify as a transferee and satisfy transfer obligations, without a transfer fee.
q.	Non-competition covenants during the term of the franchise	Section 6	During the Term, you, your Managing Owner, your Designated Manager, and Service Technician shall not: (i) engage in any capacity in any other business offering air HVAC cleaning and restoration services that are the same as or similar to the services sold by the DUCTZ Business (except for other franchises or authorizations we enter into with you); (ii) use our Confidential Information, System, intranet website, Manuals, Marks, customer lists, Customer Information, or any colorable imitations, in connection with any business other than the DUCTZ Business.; or (iii) attempt to or divert any business or customer of the DUCTZ Business to any competitor, or do any other act injurious or prejudicial to the goodwill of the Marks or the System This provision is subject to state law.
r.	Non-competition covenants after the franchise is terminated or expires	Section 13.D	For 18 months from expiration or termination of the Franchise Agreement, you, your owners and, your Designated Manager, shall not (a) engage in any capacity in any air HVAC cleaning and restoration services, (b) attempt to or divert any business or customer of the DUCTZ Business or (c) do any other act injurious to the goodwill of the Marks or the System or engage in any business relationship with any of your customers or former customers, within: (i) the Territory; (ii) the Territories of any DUCTZ franchisees, DUCTZ Company Store, or any other DUCTZ business operator; or (iii) a radius of 50 miles from the Territory. This provision is subject to state law.
s.	Modification of Agreement	Section 15.J	Modification of the Franchise Agreement must be in writing and agreed upon by both parties.
t.	Integration/merger clause	Section 15.L	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Sections 15.F.1 and 15.F.2	You must bring any disputes arising out of the Franchise Agreement or any other agreement with us to our President prior to bringing a claim before any third party in an attempt to resolve the dispute internally. After exhaustion of this internal dispute resolution procedure, at our option, all claims or disputes between you and us must be submitted first to non-binding mediation in Ann Arbor, Michigan, in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect. These dispute resolution provisions are subject to state law.
v.	Choice of forum	Section 15.F.3	All claims not subject to mediation must be commenced in the state, or federal court of general jurisdiction in Washtenaw County, Michigan or the United States District Court for the Eastern District of Michigan (subject to state law).
w.	Choice of law	Section 15.H	Except federal law, Michigan law applies (subject to state law).

## **ITEM 18: PUBLIC FIGURES**

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

## **ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS**

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

### **Background**

As of December 31, 2023, there were 42 Franchisees operating 68 Franchised Businesses/Territories, and 1 Company-Owned Business operating in 5 Territories, for a total of 73 Territories.

This Item sets forth certain historical Gross Sales information submitted by the 42 DUCTZ Franchisees and 1 Company-Owned Business that were in operation for the entirety of the 2023 year (the "Measurement Period". There were 3 DUCTZ Franchisees, operating in 3 Territories, that were not in operation the entirety of the Measurement Period, and were excluded from the below information.

Of the 42 DUCTZ Franchisees and 1 Company-Owned Business, 12 operated in more than one territory, ("Multi-Territory Operators"), and 31 operated in one territory ("Single-Territory Operators"). The Gross Sales of the Company-Owned Business during the Measurement Period is included in the Gross Sales data in Table 2 but is also listed separately in Table 3 for reference.

The charts represent average annual Gross Sales and median annual Gross Sales during the 2023 Measurement Period for those franchisees that operated in a single Territory as well as those that operated in multiple Territories. The sales information presented in this Item was provided by the franchisee operators through weekly Gross Sales reports submitted by the franchisee operators. We have not audited the data.

The table below sets forth the average annual Gross Sales in dollars during the 2023 Measurement Period as reported by the 42 DUCTZ franchisee operators and the 1 Company-Owned Business. We have broken this data down into Multi-Territory operators, which includes 11 franchisee operators and the 1 Company-Owned Business, and 31 Single-Territory franchisee operators; and under each category, broken them down by the top third highest performing operators, middle third performing operators and bottom third performing operators.

**Table 1: Single-Territory DUCTZ Franchisee Operators**

<b>DUCTZ Single-Territory Locations</b>	<b># of Single-Territory Locations in Group</b>	<b>Average Annual Gross Sales of Group</b>	<b>Highest Annual Gross Sales in Group</b>	<b>Lowest Annual Gross Sales in Group</b>	<b>Those that Exceeded the Average</b>	<b>Median Annual Gross Sales in Group</b>
Top Third	10	\$1,307,013.72	\$3,107,256.51	\$728,424.77	3 (30%)	\$910,712.57
Middle Third	10	\$436,027.18	\$656,026.31	\$263,653.55	4 (40%)	\$397,745.24
Bottom Third	11	\$151,887.83	\$260,265.32	\$71,078.00	4 (36%)	\$141,687.48
All	31	\$616,166.94	\$3,107,256.51	\$71,078.00	11 (35%)	\$384,448.00

**Table 2: Multi-Territory DUCTZ Franchisee Operators and Company-Owned Business**

<b>DUCTZ Multi-Territory Locations</b>	<b># of Multi-Territory Locations in Group</b>	<b>Average Annual Gross Sales of Group</b>	<b>Highest Annual Gross Sales in Group</b>	<b>Lowest Annual Gross Sales in Group</b>	<b>Those that Exceeded the Average</b>	<b>Median Annual Gross Sales in Group</b>
Top Third	4	\$1,263,032.25	\$1,659,024.06	\$962,599.98	2 (50%)	\$1,215,252.48
Middle Third	4	\$699,200.07	781,163.76	529,606.71	3 (75%)	\$743,014.90
Bottom Third	4	\$400,739.36	513,349.94	183,539.94	3 (75%)	\$453,033.78
All	12	\$787,657.22	\$1,659,024.06	183,539.94	4 (25%)	\$743,014.90

**Table 3: DUCTZ Company-Owned Business**

<b>Number of Businesses</b>	<b>Number of Territories Served</b>	<b>2023 Annual Gross Sales</b>
1	5 Territories	\$740,076.18

**Notes:**

1. “Annual Gross Sales” is defined as all revenue received from operating the DUCTZ Business including any sales tax receipts or similar tax receipts that are charged to customers. We calculated the Average Annual Gross Sales figure by totaling the Average Annual Gross Sales of all of the Representative Franchisees and dividing it by the number of Representative Franchisees in each category and then by the total.

2. We calculated the Top Third Average Annual Gross Sales figure by totaling the Annual

Gross Sales of the Top Third Operators and dividing it by the number of Top Third Operators. We calculated the Median Annual Gross Sales by finding the data point that is the center of all data points used.

3. We calculated the Middle Third Average Annual Gross Sales figure by totaling the Annual Gross Sales of the Middle Third Operators and dividing it by the number of Middle Third Operators. We calculated the Median Annual Gross Sales by finding the data point that is the center of all data points used.

4. We calculated the Bottom Third Average Annual Gross Sales figure by totaling the Annual Gross Sales of the Bottom Third Operators and dividing it by the number of Bottom Third Operators. We calculated the Median Annual Gross Sales by finding the data point that is the center of all data points used.

**General Assumptions:**

1. The businesses profiled above operate under the same marks and offer the same services that you will offer. The franchisees operators under the Franchise Model and are directly responsible for all costs and expenses associated with their businesses.

2. This analysis does not contain complete information concerning the operating costs and expenses that the Business will incur, including Management Fees, Technology Fees, Local Advertising Contributions, Brand Marketing Fund contributions, royalties, rent, inventory costs, payroll, payroll taxes, owner compensation/salary, healthcare, employee benefits, uniforms, office supplies, postage, travel and entertainment expenses, utilities and telephone charges, late fees, training fees, and other fees and operating expenses.

3. The above figures exclude tax liabilities for which you will be responsible.

4. The above figures exclude professional fees or other administrative expenses that you may incur, including legal and accounting fees

5. Interest expense, interest income, depreciation, amortization and other income or expenses will vary substantially from business to business. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your Franchise may be amortized or depreciated as well as the effect of any proposed or recent tax legislation.

**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.

Therefore, we strongly recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Business.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Jessica Wicks, our President, at 731 Fairfield Court, Ann Arbor, Michigan 48108, 734-864-9799, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NUMBER 1**

**Systemwide Outlet Summary  
For Years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	72	74	+2
	2022	74	67	-7
	2023	67	68	+1
Company Owned	2021	5	5	0
	2022	5	5	0
	2023	5	5	0
<b>Totals</b>	<b>2021</b>	<b>77</b>	<b>79</b>	<b>+2</b>
	<b>2022</b>	<b>79</b>	<b>72</b>	<b>-7</b>
	<b>2023</b>	<b>72</b>	<b>73</b>	<b>+1</b>

**TABLE NUMBER 2**

**Transfers of Outlets from Franchisees to New Owners  
(other than to Franchisor)  
For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Ohio	2021	2
	2022	0
	2023	0
<b>Totals</b>	<b>2021</b>	<b>2</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

**TABLE NUMBER 3**  
**Status of Franchised Outlets**  
**For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alabama	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Arizona	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
California	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Colorado	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Georgia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	12	0	0	0	0	0	12
	2022	12	1	0	0	0	0	13
	2023	13	0	0	0	0	0	13
Illinois	2021	3	1	0	0	0	0	4
	2022	4	0	3	0	0	0	1
	2023	1	0	0	0	0	0	1
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Maryland	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
Michigan	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Minnesota	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2

Mississippi	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Missouri	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
New Hampshire	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	3	0	0	0	0	0	3
	2022	3	0	1	0	0	0	2
	2023	2	0	0	0	0	0	2
New York	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
North Carolina	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	2	0	0	0	4
Ohio	2021	5	0	0	0	0	1	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Oregon	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Pennsylvania	2021	4	1	0	0	0	0	5
	2022	5	0	0	1	0	0	4
	2023	4	0	0	0	0	0	4
South Carolina	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
South Dakota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Tennessee	2021	4	0	0	0	0	0	4
	2022	4	0	0	2	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
Virginia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2

	2023	2	0	0	0	0	0	2
Washington	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Wisconsin	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
British Columbia (Canada)	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
<b>Totals</b>	2021	<b>72</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	74
	2022	<b>74</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>1</b>	67
	2023	<b>67</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	68

**TABLE NUMBER 4**  
**Status of company-owned outlets**  
**For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchises	Outlets Closed	Outlets Sold to Franchises	Outlets at End of the Year
Michigan	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
Maryland	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
<b>Totals</b>	<b>2021</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
	<b>2022</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
	<b>2023</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>

**TABLE NUMBER 5**  
**Projected Openings as of December 31, 2023**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Arizona	0	1	0
Arkansas	0	1	0
Georgia	0	1	0
Indiana	0	1	0
Kansas	0	1	0



<b>State</b>	<b>Franchise Agreements Signed but Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Louisiana	0	1	0
North Carolina	0	1	0
Pennsylvania	0	1	0
<u>Tennessee</u>	0	1	0
<b>Total</b>	<b>0</b>	<b>10</b>	<b>0</b>

Exhibit F to this Disclosure Document includes the names, addresses and telephone numbers of all Franchisees as of December 31, 2023. Exhibit G includes the name, city and state, and the current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement between January 1, 2023 and December 31, 2023, or who has not communicated with us within ten weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, in some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with DUCTZ. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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

## **ITEM 21: FINANCIAL STATEMENTS**

Exhibit B contains the audited financial statements of our affiliate, BFG Holdco, as of December 31, 2023. BFG Holdco guarantees our obligations to you under the Franchise Agreement. Also attached are our audited financial statements for the years ended December 31, 2022 and December 31, 2021. Our fiscal year-end is December 31.

## **ITEM 22: CONTRACTS**

The following contracts are exhibits within this Disclosure Document:

Exhibit A: Agreements

A-1 - Franchise Agreement and Addenda

A-2 – Promissory Note

A-3 - Confidentiality / Non-Disclosure Agreement

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

Exhibit E: State-Specific Addenda

Exhibit I: Disclosure Questionnaire

**ITEM 23: RECEIPTS**

The final pages of this Disclosure Document (Exhibit K of the Disclosure Document) are detachable receipt pages acknowledging your receipt of the Disclosure Document. If these pages, or any other pages or exhibits are missing from your copy, please notify us immediately. You should sign both copies of the receipt. You should retain one signed copy for your records and return the other signed copy to: Legal and Franchise Administration, at 731 Fairfield Court, Ann Arbor, MI 48108 or via email at [legal@belfrangroup.com](mailto:legal@belfrangroup.com).

**EXHIBIT A**  
**TO FRANCHISE DISCLOSURE DOCUMENT**  
**FORM OF AGREEMENTS**

**EXHIBIT A-1**

**DUCTZ FRANCHISE AGREEMENT**



DUCTZ® FRANCHISE AGREEMENT  
(THE “FRANCHISE AGREEMENT”)

SUMMARY PAGE

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

1. DUCTZ International, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan 48108 (referred to in this Agreement as “we,” “us,” “ourselves,” “Franchisor,” or “Licensor”).
2. \_\_\_\_\_ (together referred to as the “Owners”), residents of the State of \_\_\_\_\_, and \_\_\_\_\_, a \_\_\_\_\_ company to be formed or already existing whose principal address is \_\_\_\_\_ (referred to in this Agreement as “you,” “your,” “Franchisee,” or “Licensee”).
3. This Franchise Agreement is made and entered into on the last date executed by an authorized representative of Franchisor, (the “Effective Date”).
4. The “Initial Franchise Fee” referred to in Section 2.A. of the Franchise Agreement is:

a) Base Fee:	\$49,900
b) Additional Fee	\$ _____
c) Less Applicable Discounts	\$ _____
<b>Total Initial Franchise Fee Due</b>	<b>\$ _____</b>
5. The “Initial Package Fee” referred to in Section 2.B. of the Franchise Agreement is \$31,608, plus sales tax.
6. The “Territory” referred to in Section 1.D of the Franchise Agreement will be defined by the following zip codes, as located on the attached map, and consists of a Designated Office Territory (“DOT”) and a Regional Service Area (“RSA”):

**DESIGNATED OFFICE TERRITORY (“DOT”)**

**REGIONAL SERVICE AREA (“RSA”)**

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

This is also to confirm your acknowledgement that you are being awarded the zip-codes listed in the DOT and that you retain no ownership rights to the zip-codes in the RSA and you may only service there as described in the Franchise Agreement. You also acknowledge that you understand that all or some of the zip-codes included in your DOT may be included in the RSA of other Franchisee(s) and/or vice-versa. \_\_\_\_\_ [INITIAL]

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

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### **Exhibits:**

Exhibit A – Designated Personnel

Exhibit B – Initial Package

Exhibit C – Franchise Management Software License Agreement

Exhibit D – Telephone and Other Listing Agreement

Exhibit E – State Addenda to the Franchise Agreement

Exhibit F – Electronic Funds (EFT) Authorization

Exhibit G – Guaranty and Assumption of Franchisee’s Obligations

Exhibit H – Conversion Addendum

Exhibit I – Collateral Assignment and Assumption of Lease

# **Franchise Agreement**

THIS Franchise Agreement is made and entered into on the Effective Date by and between the Franchisor and Franchisee.

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

### **A. INTRODUCTION.**

We use, promote and license certain trade and service marks and other commercial symbols in operating air HVAC cleaning and restoration businesses in the United States, including the trade and service mark(s) “DUCTZ” (collectively, the “Marks”). These Marks have gained and continue to gain public acceptance and goodwill, and we may continue to create, use, and franchise additional trademarks, service marks, and commercial symbols in operating DUCTZ Businesses, as defined below.

Through the expenditure of considerable time, we have established a system of marketing, promoting, advertising, managing, conducting and operating businesses that perform HVAC cleaning and restoration services, condensed coil cleaning services, and any other service that we authorize for sale (the “Services”) under the Marks for both residential and commercial buildings (the “DUCTZ Business”, “Business”, or “Franchised Business”).

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

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

This Agreement governs the ongoing relationship between you and us.

### **B. DEFINITIONS AND ACRONYMS.**

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

*ASCS/VSMR*: Air Systems Cleaning Specialist/Ventilation System Mold Remediators and is a type of certification you may be required to obtain in certain circumstances.

*Catastrophic Loss*: A widespread disaster, such as caused by a hurricane, earthquake, wild fire, flood, bomb, civil outbreak, or other act of God, that has been declared a National Disaster Area or other similar term by the United States Government or by that State’s Government.

*Chain Customer*: A non-residential customer, a group of customers, a partner or group of partners that operate under a common ownership or control, under the same trademarks or service marks through independent franchises, or some other association located at multiple addresses.

*Company Stores*: A DUCTZ office that is owned by DUCTZ International, LLC, or DUCTZ North America, LLC.



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

*Designated Office Territory (“DOT”):* The specific zip-code(s) that have been awarded to a DUCTZ franchisee, and where we will not allow another DUCTZ franchisee to advertise in print or media.

*DUCTZ Affiliates:* A collective reference for DUCTZ franchisee(s), Company Store(s), DUCTZ and/or DZNA.

*DUCTZ Corporate Territory:* The zip-codes that are owned by DUCTZ International, LLC, and have not been awarded to a DUCTZ franchisee or a Company Store.

*DZNA:* DUCTZ North America, LLC.

*National and/or Regional Account (“NORA”):* The following terms apply to further define and clarify NORA programs:

- **Account Development:** Various methods including onsite evaluations, conducting estimates, answering posted bids, or proposing a specific scope of work for a potential project or conducting actual work shall be collectively known as “Account Development”.
- **National or Regional Account Prospects (“NORA Prospect”):** A NORA Prospect is a customer or prospective customer that may create work for two (2) or more franchisees, and requires centralized oversight to assure consistency in all franchisees common interest, or any customer or prospective customer that seeks a single management solution to national service issues.
- **National Contract:** A NORA Prospect where at least one (1) project has been awarded either using the DUCTZ National Service Team or utilizing a DUCTZ Franchise location and is listed on our website.
- **National Strategic Partner:** An entity that has the ability to supply potential projects in significant volume and scope nationally or internationally.

*NST:* National Service Team.

*Protected Partner:* A partner who has been reserved by a franchisee or DUCTZ as outlined in this Agreement, and to whom no other DUCTZ franchisee can market, which may include an insurance adjuster, general contractor, re-construction service provider, content cleaning company, HVAC contractor, realtor, administrator or other person or company who referred the goods or services offered by you on to a third party.

*Regional Service Area (“RSA”):* The RSA is a geographical area close to your DOT, specified in Exhibit A by zip-code(s). You do not have any ownership rights to the RSA. Within the RSA you may not advertise in print or media; however, service Customers for the DUCTZ Business as described in Section 1.C of this Agreement.

*Residential Work:* Any structure serving as a dwelling unit or a home, in which a person lives or resides, provided each dwelling unit or home has a unique and separate HVAC and ductwork system.

*Territory:* The specific area where the DUCTZ Business is to be operated, which consists of the DOT and the RSA.

### **C. AWARD OF FRANCHISE.**

You have applied for a franchise to own and operate a DUCTZ Business. Subject to all of the terms and conditions of this Agreement, we hereby award you a franchise (the “Franchise”) to operate a DUCTZ Business utilizing the System and the Marks and offering only approved Services in the Territory that you and we have agreed to as described on the Summary Page and in Section 1.D below. We grant franchises for establishing, marketing, promoting, advertising, managing, conducting and operating businesses that perform HVAC cleaning and restoration services (collectively, the “Services”) under our marks (the “Marks”).

The Territory consists of a DOT and a RSA. The DOT is the specific set of zip-code(s) that have been awarded to you. You are permitted to (a) service Customers in your DOT and RSA and (b) advertise, solicit and market in your DOT ONLY. You are not permitted to service outside of your RSA without our prior written approval. In addition, you may not perform work inside another DOT unless (a) you are performing work for a Protected Partner and such Protected Partner is clearly noted in the Proprietary Software and (b) you have received prior written permission from us. We will not allow another DUCTZ Business or Company Store to perform work within your DOT unless (i) you are not in full compliance of your Franchisee Agreement or (ii) the other DUCTZ Business is following their Protected Partner into your DOT. Further, no other DUCTZ Business may advertise in print, media or web-based advertising within your DOT.

The RSA is a geographical area close to your DOT, specified in Exhibit A, by zip-code(s). You do not have any ownership rights to the RSA. Within the RSA, you may follow Protected Partner leads and service customers for the Franchised Business as described in Section 1 of the Franchise Agreement. The Franchise Agreement grants you the right to operate the DUCTZ Business only within the Territory defined in the Franchise Agreement.

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

You must at all times faithfully, honestly, and diligently perform your obligations under this Agreement. Except as stated herein, you must designate at least one (1) managing owner (the “Managing Owner”) who will be our primary individual contact with the DUCTZ Business and who we will approve in our sole discretion. The Managing Owner must be one of the Owners of the Franchisee entity. A Managing Owner may, in our sole discretion, serve as the Managing Owner of more than one (1) DUCTZ Businesses that are owned by you; provided, however, that we may, in our sole discretion, require you to designate a person who will serve as the primary individual contact for this DUCTZ Business (the “Designated General Manager”). We must approve of the Designated General Manager in writing, which we may grant in our sole discretion. The Managing Owner and, if applicable, the Designated General Manager, must (a) successfully complete the training program as described in and required by this Agreement and (b) be ASCS/VSMR certified within 30 days of the completion of training. The Designated General Manager is not required to have an ownership interest in the DUCTZ Business. The Designated General Manager must sign our prescribed form of confidentiality and non-compete agreement. The Managing Owner or, if applicable, the Designated General Manager must continuously exert her/his full-time best efforts to manage, promote and enhance the DUCTZ Business, and such

other DUCTZ Businesses as we permit in our sole discretion. Without our prior written permission, the Managing Owner and, if applicable, the Designated General Manager, must not engage in any other business or activity that conflicts with their obligations to operate the DUCTZ Business on a full-time, year round basis.

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

Before attending the Business Manager and Technical Operations Training and/or upon any change to the legal entity ownership, you must submit to us a corporate resolution, or similar action, which states the name of the corporation or LLC, the legal names of all of the partners or shareholders, the percentage of ownership that each member controls, their place of residence and their agreement to be bound by the terms of this Agreement. We charge a fee of \$500 (the "Transfer of Corporation Fee") to process all changes to the legal entity subsequent to the submission of an initial corporate resolution prior to the commencement of the DUCTZ Business. In the case of multiple Owners, you must submit a dispute resolution procedure acceptable to us in our sole discretion that states what you will do in the event that there is a conflict between any Owners of the franchisee entity. In addition, at all times, the Owners who have executed this Agreement must control 67% of the franchisee entity. The remaining Owners must sign a written confidentiality and non-compete agreement in the form we prescribe.

#### **D. TERRITORY.**

As stated above, you are permitted to (a) service Customers in your DOT and RSA and (b) advertise, solicit, and market in your DOT ONLY. You are not permitted to service outside of your RSA without our prior written approval. In addition, you may not perform work inside another DOT unless (a) you are performing work for a Protected Partner and such Protected Partner is clearly noted in the Proprietary Software prior to the service event and (b) you have received prior written permission from us. Performing one of these prohibited actions is a default under the Franchise Agreement. After the first occurrence of incident, a written notice of default will be issued. A second default will result in a fine up to \$10,000. Three defaults may result in the termination of your Franchise Agreement and a fine of up to \$10,000 per repeated occurrence. We reserve the right to waive the fine if the incident is deemed accidental in our sole discretion.

DUCTZ franchisees and Company Stores may not advertise within your DOT without your and our written approval, except as provided in Sections 1.D and 2.F of Franchise Agreement. You may not service a Protected Partner who is protected by another DUCTZ Affiliate. Likewise, they may not service a Protected Partner who is protected by you.

All zip-codes that have not been awarded to a DUCTZ franchisee or Company Store are corporately owned ("DUCTZ Corporate Territory") and you may not advertise or provide Services there without our prior written permission; however, you may service the specific zip codes of DUCTZ Corporate Territory if they are included as part of your RSA.

A Protected Partner is protected when entered into the DUCTZ Software (as defined in Section 2.H of the Franchise Agreement) and marked as a "Protected Partner". We will also provide you with a list of potential Protected Partners within your DOT will be protected by you once entered into the DUCTZ Software and marked as "Protected." All Protected Partners in your DOT will remain "Protected" so long as you are in full compliance of your Franchise Agreement.

However, for Protected Partners outside of your DOT, that Protected Partner will stay protected for a period of one year after the completion of the previous job. During this time, other DUCTZ Affiliates cannot service them. However, if you have not completed a job for them at the end of this time period, you will lose their protected status, in which case another DUCTZ Affiliate may service them. If they do give you a job, then their protected status will continue for one year from the date of that job. You may not service any Protected Partner who is protected by another DUCTZ Affiliate. You must check the DUCTZ Software before servicing any potential Protected Partner to see if they are protected by another DUCTZ location. Only Protected Partners and no other customers may be protected by a franchisee. If you have a Protected Partner who relocates their business outside of your DOT and into another DUCTZ franchisee's DOT, you may no longer provide service to that Protected Partner. In these cases, these former Protected Partners must be handed over to the DUCTZ business where the Protected Partner's business now resides. A residential customer and / or a BELFOR office are not considered a Protected Partner and cannot be protected.

You must also select your business office site within the Designated Office Territory (the "Office Site"), and we must approve such Office Site in our sole discretion. You may not locate your office outside of the DOT without our express written consent. If your Office Site is located outside of the DOT (pursuant to our prior permission), you agree that if a DUCTZ franchisee purchases the Territory where your Office Site is located, or if a Company Store is opened, you will move the location of your Office Site to another site approved in writing by us, unless you have obtained written authorization from DUCTZ, as well as from the new DUCTZ franchisee or DZNA.

#### **E. RIGHTS WE RESERVE.**

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

1. establish, and allow other DUCTZ franchisees to establish, DUCTZ Businesses at any location inside or outside of the Territory on any terms and conditions, but subject to the same restrictions upon their servicing in the Territory that you are subject to when servicing in their Territory; under no circumstances will another DUCTZ Business or Company Store advertise in print or media in the Territory, without your prior written consent, except only as provided in Section 1.D and 2.F of this Agreement;
2. establish solicit, market to and build regional and national account relationships, whose offices may be located in the Territory as is further outlined in Sections 1.F and 1.H of this Agreement;
3. offer and sell services and products anywhere that do not comprise a part of the System and, in connection with this right, to exploit our Marks, name, reputation, and know-how;
4. solicit and perform non-residential, commercial and/or industrial HVAC cleaning and restoration in any geographic market;
5. acquire businesses providing services similar to those provided under the System and to be acquired by such a business; and

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

Although we have not done so, we and our DUCTZ Affiliates may sell products under the Marks within and outside the Territory through any method of distribution, although within your DOT it may not be through a DUCTZ Business. This includes sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (collectively, the “Alternative Distribution Channels”). You may not use Alternative Distribution Channels to make sales outside or inside the Territory and you may not receive compensation for our sales through Alternative Distribution Channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web, or other computer network site, or sell through any other Alternative Distribution Channel, and we receive orders for any System products or residential Services calling for delivery or performance in your DOT, we will offer the order to you at the price we establish. If you choose not to fulfill the order, if you do not meet the requirements, or if you are otherwise unable to fulfill the order, then we, or another DUCTZ Affiliate may fulfill the order, and you will be entitled to no compensation in connection therewith.

We and our affiliates may use Alternative Distribution Channels to make sales within the Territory of products or services under trademarks different from the Marks you will use under this Agreement.

#### **F. NATIONAL AND REGIONAL ACCOUNT PROGRAMS.**

One of our company-wide objectives is to activate NORA programs for insurance companies, third-party administrators, Chain Customers and other similar organizations for the benefit of the System. The locations of some of the NORA programs may be in the Territory awarded to you and they may have locations in other geographic areas. Our pursuit of these programs may involve solicitations, marketing and other related activities by us within the Territory. You are not to solicit, service or otherwise pursue any NORA or other relationships, whether the contacts for these relationships are in the Territory or not, without our prior written consent. You may not service, solicit or otherwise pursue a relationship with a Chain Customer or any of its members for non-residential jobs without our prior written permission.

If a NORA is established in your DOT, you will receive exclusive referrals by us of any residential jobs we receive to be performed within your DOT, provided that you service these accounts consistent with the terms and conditions of our NORA relationship(s), and to the satisfaction of these NORAs. If a non-residential NORA job occurs within your DOT, you will also be given the exclusive referral provided you can meet the completion deadlines with your permanent staff to the satisfaction of the NORA and are in full compliance with this Agreement. Any such residential or non-residential NORA accounts that are in DUCTZ Corporate Territories will be assigned by us to DZNA or the nearest DUCTZ Affiliate that is in compliance with DUCTZ System and capable of servicing the NORA, as determined by us.

At times, you may be bidding on NORA projects which you cannot manage completely on your own. We reserve the right, at our discretion, to require that a DZNA supervisor be onsite to oversee certain projects. When needed, such assistance will be agreed upon and specified in writing between you and DZNA before any obligations are created on behalf of DZNA and you.

BELFOR USA Group, LLC (“BELFOR”) is a National Strategic Partner and special case NORA. Non-residential opportunities and inquiries from a BELFOR office must be promptly referred to DZNA for disposition and management. We or DZNA will work with you and coordinate efforts to develop relationships with any BELFOR office that may be located in your Territory. It is our intention that these efforts will result in residential work assignments from local BELFOR office(s) in the Territory, directly to you. You may also be given an opportunity to self-perform work, Co-Venture (as defined in Section 1.G) with other DUCTZ franchisees, or participate in and/or provide labor to DZNA on any non-residential BELFOR contract in the Territory, subject to any applicable BELFOR requirements, provided you are in full compliance with this Agreement. Non-residential BELFOR work referred to DZNA is not subject to a Referral Fee.

If a NORA job is referred to you, you agree to abide by the DUCTZ System, methods and procedures, as outlined in the Operations Manual (as defined in Section 3.E of this Agreement), which include, but are not limited to the following:

1. Respond to the Customer within 60 minutes with acceptance and scheduling information. If a call comes in after your normal operating hours, you must respond within 60 minutes of opening. If you do not make contact with the Customer within two (2) hours of receiving a job (or two (2) hours of opening if it came in after hours), the job will be deemed to have been turned down. We may then assign the job to the closest DUCTZ Affiliate in compliance with their franchise agreement or to the NST with no compensation to you.
2. If you are conducting a NORA project, and the Customer has additional requirements, you agree to follow those requirements, which will be provided to you in writing. You may be required to sign a contract with the Customer amending the base NORA National Contract for that service location. All work is subject to the terms, conditions and pricing established by DUCTZ for that National Contract or the National Strategic Partner as a prerequisite for participation in these programs. These terms may vary depending on the situations and circumstances.
3. At your option, you may decide not to perform Services for any one (1) or more of the NORA(s) contracted in your Territory. You agree to allow us to select another DUCTZ Affiliate to perform the work with no further obligation to you.
4. In the event that you do not comply with all of the requirements in a NORA National Contract, or if we are directed by a NORA Customer at any time for any reason to not have you perform a NORA job in the Territory, then we reserve the right to refer such NORA business to another DUCTZ Affiliate or the NST and you agree to fully indemnify us for any non-compliant work you perform on a NORA project. If a NORA Customer expresses a concern about you, we will cooperate with you to resolve the NORA’s concerns. However, after we exercise what we believe to be reasonable efforts to rectify the problem, if the NORA continues to refuse to do business with you, or you decline to do business with them, then you agree that any DUCTZ Affiliate that we designate may provide services for that NORA in the Territory. In any event, neither the DUCTZ Affiliate nor we (a) are liable or obligated to pay you any compensation for doing so, and (b) will be

considered in breach of any provision of this Agreement or any other agreement between you and us.

5. For purposes of coordinating efforts and results of NORA programs, you must provide us with copies of all reports, forms and notices relating to your pursuit and servicing of a NORA Contract, on a timely basis, using the forms we may specify from time to time. You also agree to coordinate with us any solicitations you conduct that may have potential for development as a NORA. If you are currently servicing a NORA Contract listed on our website, you must notify us in writing about each account, including the date of the last service and your NORA Contracts on the account, in the format that we provide. Copies of any contracts must be provided to us. This information must accompany this fully executed Agreement.

We, DZNA or our designee may offer a job referred to you for less than what we are being paid for the job by the third party. This is to cover our administration responsibilities in securing the job, and is in addition to the normal Royalty that is due to us. You have the option to turn down the job, as described above.

#### **G. CO-VENTURING.**

Any project or enterprise undertaken jointly by two (2) or more DUCTZ franchisees will be known as “Co-Venturing”. Co-Venturing with other franchisees must be managed through DUCTZ and you agree to complete all necessary paperwork we may reasonably require, obtain our written permission prior to launching the project, and adhere to program standards while completing the project.

#### **H. DZNA.**

DZNA is an affiliated company separate and apart from us, and the NST is a division of DZNA. We have currently contracted with DZNA to operate the NST and to develop NORA programs for insurance companies, third-party administrators, Chain Customers and other similar organizations, and in some cases, to perform Services for NORAs, emergency or rapid response projects in times of catastrophic loss, and other large commercial and/or industrial projects. The administrative and/or sales office locations for some of these NORA programs may be in the Territory, and there may be locations in other geographic areas. These programs may involve solicitations, marketing and other related activities by us and/or DZNA within the Territory, which we have the right to pursue as described below.

Notwithstanding any other provision(s), implied or express, to the contrary, it is acknowledged and agreed that DUCTZ and/or DZNA have the right to investigate, estimate, manage, and conduct such work within the Territory for national prospects and/or NORAs according to the provisions of this Agreement.

At times, you may be bidding on non-NORA projects that you cannot self-perform completely with your own full time employees and equipment in the timeframe required by the Customer. In these situations, we recommend you promptly contact DZNA or us for support and assistance. The support and assistance that may be provided currently includes guidance on Co-Venturing with other DUCTZ franchisees, bidding software technical training, and assistance and project supervision under certain conditions established by DZNA. Such assistance will be agreed upon and specified in writing between you and DZNA before any obligations are created on behalf of DZNA and you. As a separate entity from us, DZNA may choose to accept or decline assistance

on any project at their discretion. Their decisions are typically based on the project size, location, timing and available staffing.

If you decide to refer an entire job to DZNA, and they perform the Services, DZNA will pay you a mutually agreed upon referral fee of five percent (5%) of the total amount received by DZNA, minus hotel, travel, per diem and other project costs not marked up by DZNA, capped at \$14,000 (“Referral Fee”). As a separate entity from us, DZNA may choose to accept or decline assistance on any project at their discretion. Their decisions are typically based on the project size, location, timing and available staffing.

## **I. OTHER BUSINESSES.**

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

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

### **A. INITIAL FRANCHISE FEE.**

Upon signing this Agreement, you must pay us a total initial fee (the “Initial Franchise Fee”) in the amount set forth on the Summary Page.

The Initial Franchise Fee is \$49,900 (“Base Fee”) for a population of up to 200,000 households within the DOT, as described in this Section of this Agreement. For a DOT with population greater than 200,000 households, the Initial Franchise Fee will be equal to the Base Fee, plus \$0.25 for each household over 200,000 (the “Additional Fee”). For example, the Initial Franchise Fee for a location with a population of 210,000 will be computed as follows:

$$\$49,900 + (10,000 \times .25) = \$52,400$$

Each DOT will have a maximum of 300,000 households. The purchase of more than 300,000 households in the aggregate at any time during the term of this agreement will require the payment of an additional Initial Franchise Fee.

Each DOT will have a maximum of 300,000 households. The purchase of more than 300,000 households in the aggregate at any time during the term of the Franchise Agreement will require the payment of an additional Initial Franchise Fee. Each franchisee’s DOT will contain at least 100 identified potential business Protected Partners.

The Initial Franchise Fee will also cover a minimum of 100 identified potential business Protected Partners located within the DOT.

The determination of households is only for the purposes of determining the Initial Franchise Fee and is not a representation as to the potential number of customers in the Territory, either at the commencement of or during the course of the Term of this Agreement.

If you are an existing duct cleaning business that has grossed at least \$100,000 in annual sales in your two (2) most recent fiscal years, then you may qualify to purchase a DUCTZ Business as a conversion franchise (“Conversion Franchise”). To be eligible to purchase a Conversion Franchise, you must provide two (2) years’ worth of tax returns (Form 1040 with schedule C, E,



or F, Form 1065, Form 1120S, or Form 1120). The Initial Franchise Fee for a Conversion Franchise offering shall be reduced according to the chart below.

<b>Conversion Tiers</b>	<b>Grossed Annual Sales</b>	<b>Initial Franchise Fee</b>	<b>Re-Branding Credit*</b>
<b>Tier One</b>	\$100,000 - \$249,999	\$34,900	\$5,000
<b>Tier Two</b>	\$250,000 - \$499,999	\$29,900	\$10,000
<b>Tier Three</b>	\$500,000 - \$699,999	\$24,900	\$15,000
<b>Tier Four</b>	\$750,000 - \$999,999	\$19,900	\$20,000
<b>Tier Five</b>	\$1,000,000+	\$14,900	\$25,000

\*If you are eligible to purchase a Conversion Franchise, then you may also be eligible to receive a one-time re-branding credit (“Re-Branding Credit”) that will be applied toward the cost of vehicle graphics and items from us or our affiliate(s) that must be used within six (6) months after signing the Franchise Agreement.

Conversion Franchisees are also required to enter into our standard Conversion Addendum, which is currently attached as Exhibit H to this Agreement.

Depending on the types and condition of the equipment you already own, the Initial Package Fee may be waived or reduced in our sole discretion. We reserve the right to require Conversion Franchisees to purchase a complete Initial Package if we deem it necessary, however, at minimum, Conversion Franchisees must pay \$13,950 for a modified Conversion Initial Package. Other than in the chart above, Conversion Franchisees are not eligible for any other discounts to the Initial Franchise Fee.

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

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

We are a member of the International Franchise Association (IFA) and participate in the IFA’s VetFran Program, which provides a 20% discount on the Base Fee of the Initial Franchise Fee to veterans of U.S. Armed Forces who have been honorably discharged or otherwise meet the requirements of the VetFran program. This discount may not be used in conjunction with the discount for first responders. We reserve the right to require proof that the applicant qualifies for this discount.

We also offer a \$2,500 discount on the Initial Franchise Fee on the first Territory to first responders, which include sworn police officers, paid firefighters, and paid emergency medical technicians and paramedics. You may use this discount to purchase one (1) Territory. We reserve the right to require proof that the applicant qualifies for this discount. This discount may not be used in conjunction with the veteran discount.

If you are currently a franchisee in good standing, as determined by us, with one of our franchising affiliates (a “Related Franchisee”), then you may qualify to purchase a DUCTZ Business with a discounted Initial Franchise Fee. The Initial Franchise Fee is due upon signing a Franchise Agreement and is fully earned and non-refundable when paid. The Initial Franchise Fee

will be twenty-five percent (25%) off of the then-current Initial Franchise Fee, and such discounted fee is limited to up to two (2) Franchises, which must be purchased at the same time. A Related Franchisee cannot use any other discounts, including for a Conversion Franchise.

Your Initial Franchise Fee shall be due and payable in full upon your execution of this Agreement. The Initial Franchise Fee is non-refundable and deemed fully earned upon payment.

Within four (4) months of the execution of this Agreement, we expect you to complete our Business Manager and Technical Operations Training to our satisfaction, as defined below in Section 3.A of this Agreement and open for business. In the event that you do not do so, in our discretion, we may terminate this Agreement pursuant to Section 12 of this Agreement.

## **B. INITIAL PACKAGE FEE**

You promise to pay us, or a vendor designated by us in our sole discretion, for specified equipment, products, supplies and services (the “Initial Package”) in the amount of \$31,608, plus sales tax (the “Initial Package Fee”), which monies shall be promptly due and payable before receipt of the Initial Package. The Initial Package includes: Clothing and Promotional, Print & Marketing Materials, Safety Supplies, HVAC Equipment Package, Tools & Small Equipment, Dryer Vent Supplies, Coil Cleaning Small Equipment, National Air Duct Cleaning Association (NADCA) membership, training and certification, Kick Start Marketing, 1 year CareerPlug Pro, and a \$749 convention allowance (the “Convention Allowance”) for the DUCTZ brand-wide convention (the “Convention”) and listed in Exhibit B to this Agreement. The Initial Package materials will be shipped to you F.O.B. from certain locations from our approved supplier(s) which include Oklahoma City, OK and Logan, UT. The Initial Package Fee is non-refundable and deemed fully earned upon payment.

The Kick Start Marketing included in the Initial Package currently includes: on-going digital marketing support; website development; website analytics tracking; online call-tracking; search engine optimization (SEO) set-up; proactive search engine optimization for a period of approximately four (4) months, pay-per-click search engine advertising set-up; online advertising for a period of approximately four (4) months; review tracking for a period of approximately one (1) year; local listings set-up; local listings support; online directory optimization; and optional chat support setup and functionality. The features of these digital marketing services are subject to change in our sole discretion.

You are required to purchase or lease the approved DUCTZ vehicle supplied by DUCTZ International, LLC or its affiliate(s). The vehicle will be up-fitted to include items such as; shelving, mounted air compressor, air compressor cage, ladder rack, DUCTZ decals. DUCTZ holds the rights to change the approved vehicle and up-fitting items at any time.

The Convention Allowance covers the registration for one person to attend the first Convention that is scheduled following your successful completion of our Business Manager and Technical Operations Training Program. The Convention Allowance cannot be used to offset any other expenses or requirements associated with your DUCTZ Business and if you do not attend the first Convention, then the Convention Allowance will be applied to the Convention Non Attendance Fee.

If this is a Transfer Term, (a) you are not required to purchase the entire Initial Package; however, you must purchase a modified Initial Package, which will vary based on the equipment not included in the transfer necessary to provide all current services, and you must pay the \$749

Convention Allowance and (b) we will determine, in our sole discretion, how much of the Kick-Start Marketing you will be required to purchase based on our assessment of your current digital marketing services. If this is a Renewal Term or if you are purchasing an additional franchise agreement, then you are not required to purchase the Initial Package. The Initial Package may be modified for current air-duct cleaning companies who become DUCTZ franchisees, but only with our prior written approval.

If you are an existing DUCTZ franchisee in good standing for a minimum of one year, as determined by us, you may qualify to purchase an additional DUCTZ Business with discounted Initial Franchise Fee. Upon signing of the Agreement for a new DUCTZ Business, you must pay an Initial Franchise Fee of \$39,900 to us for a single Standard Franchise. The Initial Franchise Fee is deemed fully earned upon payment and non-refundable under any circumstances.

Depending on the quantities, types, and condition of the equipment you already own, the Initial Package Fee may be waived or reduced in our sole discretion. We reserve the right to require you to purchase a complete Initial Package if we deem it necessary.

If this is a Conversion Franchise, depending on the types and condition of the equipment you already own, the Initial Package Fee may be waived or reduced in our sole discretion. We reserve the right to require Conversion Franchises to purchase a complete Initial Package if we deem it necessary. Other than in the chart above, Conversion Franchises are not eligible for any other discounts to the Initial Franchise Fee.

You are required to purchase or lease the approved DUCTZ vehicle supplied by DUCTZ International, LLC or its affiliate(s). The vehicle will be up-fitted to include items such as; shelving, mounted air compressor, air compressor cage, ladder rack, DUCTZ decals. DUCTZ holds the rights to change the approved vehicle and up-fitting items at any time.

### **C. ROYALTY.**

You shall pay us a weekly royalty (the “Royalty”) equal to ten percent (10%) of Gross Sales, as defined below in Section 2.D. Commissions paid to lead sources (general contractors, content cleaning companies, third party administrators, etc.) are subject to Royalty. The Royalty will be assessed to you upon the earlier of the receipt of funds from the Customer or 90 days after the date of the original invoice issued to the Customer, regardless of whether the invoice is paid in full. For purposes of paying the Royalty, the week begins on Monday and ends on Sunday. If you transfer this Agreement to a new owner, the Royalty for all completed jobs must be paid on (a) the day of closing, or (b) on the effective termination date of this Agreement. Every week, we will scan DUCTZ Software and find all jobs which have had changes in the amounts paid by Customers since the previous week, and compute Royalties on the amount of the change. When amounts are paid on jobs, royalties will be charged on those amounts. We will provide an itemization of the jobs on which Royalties will be assessed, and the total of the Royalties, in the form, format, and medium we decide in our sole discretion. The following Friday, we will initiate a transfer of funds between our bank accounts for the amount indicated in the itemization from the bank account designated by you in the electronic funds transfer (“EFT”) agreement attached to this Agreement as Exhibit F. We may specify different due dates periodically in our discretion.

Referral Fees paid to you by the NST and amounts paid to you by the NST for labor, equipment and expenses are subject to Royalty and must be reported as Gross Sales.

You promise to sign and deliver to us, before the DUCTZ Business opens, the documents we require to authorize us to automatically debit your business checking account each Friday for the Royalty due on Gross Sales from the preceding week, including the EFT Agreement. You also promise to promptly and regularly report a correct statement of all of your Gross Sales in the DUCTZ Software, along with any other information we specify, in the form and on the schedule we require. Currently, you are required to report (a) a year-end profit and loss statement within thirty (30) days of your fiscal year-end and (b) your tax return within thirty (30) days of its due date with the appropriate government entity. If you fail to provide these reports as and when due, we reserve the right to charge you the Late Report Fee described in Section 2.E below.

If you fail to report your Gross Sales for any week as required, or to record receipt of payments received within 48 hours of being received, we can debit your account on Friday for the same Royalty amount that we debited during the previous week. If the Royalty we debit from your account is greater than the Royalty you actually owe us (once we have determined your true and correct Gross Sales for the week), we will credit the excess against the amount we otherwise would debit from your account on the following Friday. If the Royalty we debit from your account is less than the Royalty you actually owe us, we will debit your account for the balance of the Royalty due on the following Friday. Our debit of your account will not relieve you of your obligation to pay any late fees or interest due under Section 2.E of this Agreement.

We can require you to pay the Royalty by means other than automatic debit (e.g., by check) whenever we deem appropriate, and you must comply with our payment instructions.

We reserve the right to record receipt on your behalf for all accounts receivable in the event this Agreement is terminated and you have not already done so by the effective date of termination.

#### **D. DEFINITION OF GROSS SALES.**

You must report your Gross Sales each week. "Gross Sales," as used in this Agreement, includes all revenue generated from operating the DUCTZ Business, whether in cash, in services in kind, from barter and/or exchange, or otherwise. All barter and/or exchange transactions for which you furnish Services and/or products in exchange for goods or services will, for the purpose of determining Gross Sales, be valued at the full retail value of the goods and/or services you provide. You may deduct from Gross Sales the amount of all sales tax receipts or similar tax receipts that, by law, are chargeable to customers, if these taxes are separately stated when the Customer is charged. In accordance with our policies as published periodically, you may also deduct from Gross Sales the amount of any documented refunds that we consider appropriate. There is no Royalty payment due on the sale of Services. You must pay Royalties only on the receipt of the cash, services in kind, barter and/or other exchange. All payments received for jobs must be recorded in the DUCTZ Software within 48 hours of being received.

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

If the Royalty or any other fee that is due is not available in your account for debiting when due, a late payment fee will be imposed of 5% of the amount due or \$50, whichever sum is greater, for each week past due ("Late Payment Fee"). If you do not report your Gross Sales as required and/or you fail to submit your Royalty reports when due, a fee will be imposed of \$20 per week for each week past due ("Late Report Fee"). Additionally, interest will be imposed at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is greater, from the date these amounts were originally due until the date paid ("Interest Fee"). If we debit your

account for monies owed and there are insufficient funds available, we will also charge our current non-sufficient fund fee (“NSF Fee”). We can automatically debit your account for the Late Payment Fee, NSF Fee, Late Report Fee, Interest Fees and all other fees owed to us after providing you with thirty (30) days’ notice.

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

**F. REQUIREMENT TO ACHIEVE A MINIMUM LEVEL OF GROSS SALES.**

You acknowledge and agree that we have awarded you this DUCTZ Business and Territory with the expectation that you will be able to develop a DUCTZ Business that will achieve a minimum level of monthly Gross Sales (the “Minimum Gross Sales”) as follows:

<b>Months in Operation</b>	<b>Minimum Monthly Gross Sales Required</b>	<b>Minimum Monthly Royalty Required in Standard Territory</b>
0 to 12 months	No Minimum	No Minimum
13 but less than 24	\$9,200	\$920
25 but less than 36	\$13,800	\$1,380
37 but less than 48	\$18,000	\$1,800
Greater than 48	\$23,000	\$2,300

If you do not achieve the required Minimum Gross Sales after 12 months in operation, we may collect a Royalty equal to what you would have been assessed had you achieved the Minimum Gross Sales. In that instance, we will collect the Royalties on the difference between the Gross Sales reported for the month and the Minimum Gross Sales on the Friday following the prior month end.

If the DUCTZ Business fails to achieve the required Gross Sales Requirement during any consecutive three month period, we reserve the right to terminate this Agreement, establish another DUCTZ franchisee or Company Store in the Territory or allow another DUCTZ franchisee to advertise and service Customers in your Territory. You agree that any franchise or Company Store we designate may provide Services in the Territory. Neither the franchise or Company Store nor we are liable or obligated to pay you any compensation for doing so, and neither the franchise nor we will be considered in breach of any provision of this Agreement or any other agreement between you and us regardless if minimum sales are achieved in the future.

If you are awarded more than one (1) DUCTZ Business, the dollar values for the Minimum Gross Sales would increase for each additional DUCTZ Business you are awarded. For a second DUCTZ Business the numbers would double, for a third, they would triple, etc.

If this is a Renewal Term, you will be required to meet the Minimum Monthly Gross Sales requirement for the greater than 48 month level for the entirety of the Renewal Term.

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

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

Recognizing the value of advertising to the image and growth of DUCTZ Business, we may, from time to time in our business judgment, provide you with sample advertising and promotional programs and select creative concepts and materials for use in connection with marketing the DUCTZ Business. These materials may include direct mailers, print advertising, brochures and other materials. The type, content, media, quality and amount of such advertising and promotional programs are within our best interest and judgment. We are not required to conduct advertising for you or the System. We may provide you with advertising, promotional or marketing materials for you to use in local advertising, but we are not obligated to do this.

You are required to pay the Kick-Start Marketing Fee for the purchase of the Kick-Start Marketing Services, as described above.

You agree to actively advertise and promote the Business within the Territory. We require you to expend at least 2% of Gross Sales each month on marketing, advertising, and promotional programs at the local level.

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials from us before their first use. In order to obtain approval of advertising and marketing materials, you must submit such proposed advertising material to us for review at least ten (10) business days before the proposed first use. If we take no action within such ten (10) business day period, the materials shall be deemed disapproved and you may not use such materials. The approval or disapproval is in our sole discretion. We also may, in our sole discretion, require you to immediately discontinue use of any advertising or marketing materials at any time, even if previously approved or provided by us. All advertising and marketing materials must meet our then-current standards and specifications. We may, in our sole discretion, offer and sell advertising, marketing, and promotional materials at any time. Certain items, such as your truck, yard signs and furnace stickers must reference the DUCTZ national toll free number. You may not alter or remove reference to the national toll free number. You have no obligation to purchase any of these materials or forms from us, but if we implement local marketing programs, like a call center and/or direct mail solicitations, you may be required to participate, at your expense.

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

This number will be forwarded to any device(s) that you choose. As part of your local marketing, this number must be dedicated to your DUCTZ Business. You promise to maintain a 24-hour answering system on this business number, use an approved script for answering calls, and you promise to continually list the DUCTZ Business in the primary Internet and telephone directory servicing the Territory and, at a minimum, to maintain a trademark listing advertising your Business in the primary directory servicing the Territory. However, if two (2) or more DUCTZ Businesses and/or Company Stores are served by the same telephone directory, we will require you to list all businesses under one (1) DUCTZ heading. Should this instance arise, you must pay your pro-rata share of the total expense of the joint listing. Any other forms of advertising

that would also advertise to zip-codes both inside and outside of the DOT must be pre-approved by DUCTZ in writing. We will notify you within ten (10) days' of our receipt of your written request.

In addition, we reserve the right, but are not obligated to, establish a national marketing fund (the "Brand Marketing Fund") for the common benefit of System franchisees. We have the right to require you to participate in and contribute up to one percent (1%) of your Gross Sales weekly to the Brand Marketing Fund (the "Brand Marketing Fee") in the manner we prescribe. If we require you to contribute to the Brand Marketing Fund, you must pay the Brand Marketing Fee on a weekly basis each Friday for Gross Sales generated during the preceding week ending on Sunday.

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

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

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

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

We will prepare on an annual basis, within 120 days of the end of the fiscal year, and make available to you upon written request, a statement of contributions and expenditures for the Brand Marketing Fund. The Brand Marketing Fund does not have to be independently audited.

Additionally, if we implement local marketing programs, like a call center and/or direct mail solicitations, you may be required to participate, at your expense.

There are currently no requirements for participation in an advertising council or any local advertising cooperatives, though we reserve the right to establish an advertising council or advertising cooperatives in the future.

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

Throughout the term of this Agreement, you must:

1. utilize our then-current franchise management software system in the operation of the DUCTZ Business (the “DUCTZ Software”);
2. sign and maintain a quarterly renewable DUCTZ Software licensing agreement (attached as Exhibit C to this Agreement);
3. pay the then-current weekly technology fee for the DUCTZ Software (the “Technology Fee”) in the same manner as you pay the weekly Royalty; and
4. utilize, sign a license agreement for, and pay for, any future proprietary software program we may designate for use with the System.

We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (i) a compatible “back office” computer system that complies with our standards and specifications; (ii) a custom and proprietary point of sale system (the “POS System”), if we make such a POS System part of our proprietary operating system in the future; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the “Computer System”). Your Computer System must meet the requirements of the System Standards and handling of the then-current DUCTZ Software.

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

At our request, you shall purchase or lease, and thereafter maintain, the Computer System, DUCTZ Software, and, if applicable, the Required Software. You agree to pay all fees associated with the use of DUCTZ Software and any other Required Software, which may be payable to us or our approved or designated suppliers. You expressly agree to strictly comply with our then-current standards and specifications for all items associated with your Computer System, DUCTZ



Software and any Required Software, including any security software. You agree, at your own expense, to keep your Computer System in good maintenance and repair and install such upgrades, additions, changes, modifications, substitutions, and/or replacements to your Computer System or Required Software as we direct from time to time in writing. You agree that your compliance with this Section shall be at your sole cost and expense.

We may require that your Computer System be programmed to automatically transmit data and reports about the operation of the DUCTZ Business to us. We shall also have the right to, at any time without notice, electronically connect with your Computer System to monitor or retrieve data stored on the Computer System or for any other purpose we deem necessary. There are no contractual limitations on our right to access the information and data on your POS System, DUCTZ Software, and Computer System. You shall deliver to us all access codes, static Internet protocol (“IP”) addresses and other information to facilitate our access to the data described in this Section within 30 days of opening the DUCTZ Business.

You must obtain the computer hardware necessary to implement the DUCTZ Software, and comply with all specifications and standards prescribed by us regarding the DUCTZ Software as provided in the Operations Manual. We reserve the right to create additional proprietary software programs, which you must use in connection with the DUCTZ Business. This DUCTZ Software will be our proprietary product, and the information collected therefrom will be deemed our confidential information.

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

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

As technology advances, you may be required to upgrade your hardware to meet changing software requirements as we deem necessary. The DUCTZ Software is web-based and we do not charge you for software updates and upgrades. We will require you to upgrade your computer hardware, but no more than two times during the Initial Term.

You promise to subscribe to, maintain, and utilize a fiber-optic internet or other high speed internet, cable, or satellite high speed Internet connection and email network account with independent suppliers which periodically we approve. If you do not receive written approval within ten (10) days of our written receipt of your request, such supplier will be considered disapproved. You must use an email name that we have approved that will have “@DUCTZ.com” as its suffix for all business related correspondence. You also promise to use, subscribe to, and pay for, as directed by us, a customized website connected to our website and managed by our website provider. You may not attempt to redirect the customized website. You also promise to subscribe

to, maintain, and utilize the phone model, type and provider that we designate as well as the phone service from the company we designate. As technology advances and new discoveries are made, we have the right to require that you use other technological items, as well as to designate the specific companies, models and/or types that you must use for these technological services.

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

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

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

We shall have the right to modify the provisions of this Section.

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

We may, but are not obligated to, offer a service through which phone calls to our toll-free phone number will be forwarded to you or us. In the offering of this service, we will use commercially reasonable efforts to maintain this service 24 hours per day, seven days per week, subject to acts of God or circumstances beyond our reasonable control, including power outages and the unavailability of telephone services. In the phone routing process, we will use commercially reasonable efforts to route calls from prospective customers requesting service in the Territory to you. We do not guarantee that every phone call requesting service in the Territory will be routed to you. In the event we offer this service, we reserve the right to modify or terminate this service at any time in our sole discretion, including the right to require that all customer calls be directed through our toll-free line or any other telephone number we designate. Currently, the cost of this toll-free number and forwarding call is including in the Technology Fee.

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

**J. ADMINISTRATIVE FEE.**

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

**K. COLLECTION FEE.**

We retain, as we deem appropriate, the right to contact Customers who are delinquent in their payment of 90 days or more, initiate collection procedures on your behalf, and take the full amount of any Royalties owed to us from any amounts collected and apply collection fees up to an additional ten percent (10%) (the “Collection Fee”) of the amounts collected on your behalf. We will credit you with any amounts collected, net of any Royalties and Collection Fees. You may not sue or otherwise hold us liable in any way for our pursuit of these collection procedures.

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

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

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

**M. IMPROPER MARKETING OR SERVICE FEE**

You are permitted to (a) service Customers in your DOT and RSA and (b) advertise, solicit and market in your DOT ONLY. You are not permitted to service outside of your RSA without our prior written approval. In addition, you may not perform work inside another DOT unless (A) you are performing work for a Protected Partner and such Protected Partner is clearly noted in the Proprietary Software and (b) you have received prior written permission from us. Performing one of these prohibited actions is a default under the Franchise Agreement. After the first occurrence of incident, a written notice of default will be issued. A second default will result in a fine up to \$10,000. Three defaults may result in the termination of your Franchise Agreement and a fine of up to \$10,000 per repeated occurrence. We reserve the right to waive the fine if the incident is deemed accidental.

**N. OPTIONAL FEES**

At your option, you may request the following services from us or any of our affiliates, and we/our affiliate shall provide these services to you, upon your payment of the applicable fee(s): (a) for ongoing editing and basic maintenance of content on the franchise sites, a set-up fee of \$150 and a monthly fee of \$100 to \$5,000 per program; and/or (b) for tracking of online reviews, a monthly fee of \$7.50 per location, per month.

If you request to continue the digital marketing services without SEO services after those provided in the Kick-Start Marketing Services, then you will have to pay to us our then-current fee for providing such services. If you request to continue the digital marketing services with SEO services after those provided in the Kick-Start Marketing Services, then you will have to pay to us our then-current fee(s) for providing such services.

These fees are subject to change upon written notice to you. You are not required to pay these fees unless you request the applicable service(s) and we/our affiliate provide such service(s) to you.

#### **O. NORA FEE.**

We may provide services to national and/or regional accounts that require centralized overview and support, and for purposes of responding to requests and referrals for Services through our franchise system, managing those relationships, answering calls placed to our toll-free number or a national account on-line access system. In that case, we may charge you a National or Regional Accounts Fee (“NORA Fee”) of up to three percent (3%) of Gross Sales generated by the account. The purpose of this fee is to defray the cost of providing national/regional account management services to the franchise system. We do not plan to charge a fee for simple referrals where we do not directly manage the relationship with the customer, but we reserve the right to do so.

### **3. TRAINING AND GENERAL GUIDANCE.**

#### **A. TRAINING.**

Your Managing Owner and, if applicable, Designated General Manager, must successfully complete our Jumpstart Initial Training program (the “Jumpstart Initial Training”) within one (1) month of signing this Agreement, before attending Business Manager and Technical Operations Training (as defined below) and before the opening of the Franchised Business. The Jumpstart Initial Training is our preparation program that includes numerous pre-opening activities.

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

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

Before you begin operating the DUCTZ Business and after you have completed Jumpstart Initial Training, we will furnish business manager and technical operations training (the “Business Manager and Technical Operations Training”) to the Managing Owner or, if applicable, the Designated General Manager at no additional fee. The Managing Owner or, if applicable, the Designated General Manager must complete the Business Manager and Technical Operations Training to our satisfaction and failure to do so will result in the termination of this Agreement.

The Business Manager and Technical Operations Training may not commence until you have paid all fees due to us.

The Business Manager and Technical Operations Training will last up to 7 days in duration at our headquarters or another location designated by us. You will be responsible for all travel and living expenses that you and your employees/Owners incur for this Business Manager and Technical Operations Training.

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

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

The Managing Owner or, if applicable, the Designated General Manager, must attend the DUCTZ Convention at least once every two (2) years. If you fail to attend the Convention, without our prior written permission, you must pay the Convention Non-Attendance Fee of \$1,000. The Managing Owner or, if applicable, Designated General Manager also must attend periodic refresher training courses and conferences, at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that are incurred by you or your employees/Owners while attending such session.

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

If this is a Renewal Term or if this is an additional DUCTZ Business being awarded to you, and your Managing Owner or, if applicable, the Designated General Manager, have already attended Business Manager and Technical Operations Training, the requirement that you attend

the Business Manager and Technical Operations Training is waived, except as described above with respect to the online training modules and continuing training obligations. In such cases, if your Managing Owner or, if applicable, the Designated General Manager do attend Business Manager and Technical Operations Training, you will be assessed our then-current training fee. You will also be responsible for all travel and living expenses that you and your employees/Owners incur while training.

Before you begin operating the DUCTZ Business, you must also employ a full-time experienced service technician (the "Service Technician") who will be responsible for performing and overseeing your HVAC cleaning and restoration services. It is your responsibility to train the Service Technician to our specifications.

The Service Technician may be required attend periodic refresher training courses and conferences, at the times and locations we determine, and for which we may charge fees. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that incurred while attending such session.

In the event that the Service Technician terminates his or her employment with you, you are required to designate a successor for our written approval, which shall be in our sole discretion, within ten (10) days of such termination. You are responsible for training any successor Service Technician. At all times during the term of this Agreement, you must have employed at the DUCTZ Business a person who has completed the Business Manager and Technical Operations Training program.

## **B. GENERAL GUIDANCE.**

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

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

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

### **C. REFERENCE GUIDE.**

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

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

The Operations Manuals are specifically incorporated by reference into the Franchise Agreement, and you must comply with the Manuals as an essential aspect of your obligations under the Franchise Agreement. Failure to substantially comply with the Operations Manuals may be considered a breach of the Franchise Agreement.

### **D. DELEGATION OF PERFORMANCE.**

You agree that we have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

### **E. OPERATIONS MANUAL.**

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

You agree to use the Marks and System only as specified in the Operations Manual. The Operations Manual is the sole property of us and shall be used by you only during the term of this

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

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

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

#### **4. MARKS.**

##### **A. OWNERSHIP AND GOODWILL OF MARKS.**

1. You acknowledge that we own and have all rights to the Marks.
2. Your right to use the Marks is derived only from this Agreement and is limited to your operation of the DUCTZ Business in accordance and in compliance with this Agreement and all System Standards we prescribe from time to time during its term.
3. You promise to use only the Marks that we designate in writing, and to use them only in the manner that we authorize.
4. You agree that your use of the Marks, and any goodwill established by this use, will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interest in the Marks upon you (other than the right to operate a DUCTZ Business under this Agreement). Upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the System and the Marks,
5. All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols that we authorize you to use.
6. The right and license of the Marks awarded to you under this Agreement is non-exclusive, and we may:
  - a. award other licenses and franchises for the Marks, in addition to those licenses and franchises already awarded;



- b. use the Marks in connection with marketing and selling of any products and services as we deem appropriate; and
- c. develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and grant licenses thereto without providing any rights therein to you.

**B. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

You promise to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, in any infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office (“USPTO”) proceeding, or any other administrative proceeding arising out of any infringement, challenge, claim or otherwise relating to any Mark. Provided that you have timely notified us of the claim or proceeding and complied with this Agreement as we determine in our sole discretion, we shall indemnify and hold you harmless against reasonable litigation expenses incurred in connection with any such infringement, challenge or claim. If we, in our sole discretion, determine that you have not used the Marks in accordance with this Agreement, you will bear the cost of such defense, including the cost of any judgment or settlement. You promise to sign any and all instruments and documents, render the assistance, and do the acts and things that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding, or otherwise to protect and maintain our interest in the Marks, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket costs in performing such acts.

**C. LIMITATIONS ON YOUR USE OF MARKS.**

- 1. You promise to use the Marks as the only identification of the DUCTZ Business, except that you must identify yourself as the Owner of an independent entity in the manner that we prescribe.
- 2. You promise to affix the Marks upon such vehicles, uniforms, equipment, containers, fixtures, signs, stationary, advertising, sales/promotional materials, and such other objects, in such size, color, lettering style and fashion, and at such places as we may designate in the Operations Manual.
- 3. You promise to not use the Marks, or any words or symbols confusingly similar to them, as part of any corporate or other legal name or with any prefix, suffix, or other modifying words, terms, designs, or symbols. You may not use the Marks in connection with the sale of any unauthorized product or service, on an Internet website of your own design, or in any other manner not explicitly authorized in writing by us.
- 4. Except as expressly provided in the Operations Manual, you may not display any other trademarks, logotypes, symbols, or service marks, nor may you use any other marks in connection with the Marks, or with the DUCTZ Business, without our prior written approval.

5. You promise that all advertising and promotional materials that you use will bear the appropriate “SM,” “TM,” “®,” or “©” registration symbol and/or such other appropriate notice of ownership, registration, or copyright as we may require.
6. You promise to submit to us, for our approval, the assumed or trade name (the “DBA”) you intend to use in the operation of the DUCTZ Business before filing for it as required by local laws. We may approve or disapprove such DBA at our discretion. All filings or affidavits, following your receipt from us of an approved DBA, must state that the filing or affidavit is made as “a franchisee of DUCTZ.” The approved DBA is the only DBA that you may use. You may not use a different name under any circumstances, including as a domain name, URL address, marketing, or for any other function.
7. Our parent is the lawful and sole owner of the domain name [www.ductz.com](http://www.ductz.com). You cannot register any of the Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue using of website using the Marks. You may access our website. Except as we authorize in writing in advance, you may not: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; or (iii) create or register any Internet domain names in connection with your DUCTZ Business. The only exception is that you may list the DUCTZ Business in an online directory.
8. In order to obtain approval of any use of the Marks, including all advertising containing any Marks, your identification or your DBA, you must submit such proposed use, identification or DBA to us for review at least ten (10) business days before the proposed first use. If we take no action within such ten (10) business day period, such use, identification or DBA shall be deemed disapproved. The approval or disapproval is at our sole discretion. We also may, at our sole discretion, require you to immediately discontinue use of any Mark, advertising, identification or DBA at any time, even if previously approved or provided by us.
9. You must submit and receive our written approval in advance for any person that you desire to act as a representative for you in connection with local promotion of the Franchised Business or Marks in a public media.

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

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

## **5. CONFIDENTIAL AND PROPRIETARY INFORMATION.**

### **A. CONFIDENTIAL INFORMATION.**

1. We possess (and will continue to develop and acquire) certain confidential information (the “Confidential Information”) relating to the development and operation of DUCTZ Businesses. The Confidential Information includes (without limitation):
  - a. general operating procedures for a DUCTZ Business;
  - b. the proprietary DUCTZ Software;
  - c. personnel guidelines for hiring, training, retaining, promoting, and supporting the marketing and sales staff;
  - d. the Jumpstart Initial Training program and the Business Manager and Technical Operations Training;
  - e. written marketing and advertising materials, audiotapes, videos, and programs for their utilization;
  - f. knowledge of specifications and suppliers of certain equipment and supplies for the DUCTZ Business;
  - g. information on operating results and financial performance of DUCTZ Businesses other than your own;
  - h. The Operations Manual and the DUCTZ franchisee intranet website and its contents;
  - i. sales guidelines and strategies for developing business relationships in the insurance industry;
  - j. The Customer Information, as defined in Section 5.B below; and
  - k. Any other information we deem confidential.
2. You acknowledge and agree that you do not acquire any interest in Confidential Information, other than the right to utilize that which is disclosed to you in operating the DUCTZ Business during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You also acknowledge and agree that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you promise to, during and at all times after the term of this Agreement:
  - a. not use Confidential Information in any other business or capacity;
  - b. maintain the absolute confidentiality of Confidential Information;
  - c. not make unauthorized copies of any portion of Confidential Information disclosed via electronic medium or in written or other tangible form;
  - d. adopt and implement all reasonable procedures that we prescribe from time to time to prevent unauthorized use or disclosure of Confidential

Information, including, without limitation, restrictions on disclosure to employees of the DUCTZ Business and others; and

- e. immediately upon the expiration of termination of this Agreement, return and cease using in any way all Confidential Information and provide us with immediate access to all computer or other electronic or other storage media, including without limitation, hard drives, memories, CD's, floppy disks, DVDs, zip drives, PDAs, jump drives or other peripheral drives and memory cards, containing any Confidential Information for the purpose of removing such Confidential Information or, if mutually agreed upon, surrender such devices to us.
3. The foregoing restrictions will not apply to the information that:
    - a. is now public knowledge or hereafter becomes public knowledge through no fault of yours;
    - b. is properly provided to you without restriction by a third party having no such restriction;
    - c. is required to be disclosed by order of a competent court or governmental authority, provided, however, that you provide us with prompt written notice of any claim or litigation that could give rise to such a requirement, you furnish only that portion of the Confidential Information that you are required to disclose, and you advise the governmental authority of your confidentiality obligations under this Agreement and seek to obtain appropriate protective orders or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.
  4. You must disclose to us all ideas, concepts, methods, techniques and products concerning the development and operation of the DUCTZ Business that you, the Managing Owner, the Designated General Manager, or employees conceive or develop during the term of this Franchise Agreement. We shall own the rights to all such ideas, concepts, methods, techniques and products, regardless of the source, and you must grant to us and agree to procure from your affiliates, Owners or employees a perpetual, exclusive and worldwide right to use such ideas, concepts, methods, techniques and products concerning the development and operation of the DUCTZ Business that you or your employees conceive or develop during the term of this Agreement. You must sign all documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials. We will have no obligation to make any lump sum or on-going payments to you with respect to any such idea, concept, method, technique or product. You must agree that you will not use, nor will you allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

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

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

**6. COVENANTS NOT TO COMPETE.**

**A. FOR YOU.**

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

1. engage as an owner, partner, shareholder, director, officer, employee, consultant, agent, or in any other capacity in any other business offering air HVAC cleaning and restoration services that are the same as or similar to the services sold by the DUCTZ Business (except for other franchises or authorizations we enter into with you);
2. use our Confidential Information, System, DUCTZ owners’ intranet website, Operations Manual, Marks, Customer lists, Customer Information, trade secrets, trade dress, proprietary knowledge, or know-how, or any colorable imitations, in the design, development, or operation of any business other than the DUCTZ Business franchised hereunder, unless specifically authorized by us; or
3. Divert or attempt to divert any business or customer of the DUCTZ Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

**B. YOUR EMPLOYEES.**

At the start of their employment, you must require, as consideration for employment, each of your Service Technicians, sales and/or account management employees to sign non-disclosure and confidentiality agreements. Such agreements will prohibit disclosure, by the employee to any other person or legal entity, of any trade secrets, customer lists, or other information, knowledge, or know-how regarding the System or the operation of the Business, which is deemed confidential

and/or proprietary by us. Such employee non-disclosure and confidentiality agreements will, to the fullest extent permitted by applicable law, prevent employees from servicing or soliciting any of the customers of your Business, except in their capacities as employees of the Business. We may require you to send us a copy of such agreements once fully signed.

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

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

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

## **7. SYSTEM STANDARDS.**

### **A. COMPLIANCE WITH SYSTEM STANDARDS.**

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

You will offer and provide all of the Services that we periodically require for DUCTZ franchisees, and in the manner we prescribe.

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

1. use and display of the Marks;
2. Services and products which we authorize you to sell to the public;
3. the use of supplies and equipment;

4. a dress code, during business hours, for you, your employees and your representatives;
5. suppliers you may use for the purchase of uniforms for you, your employees and your representatives;
6. vehicle type, model, color, supplier, trademark representation, and appearance (no rust or body damage). These specifications are included in our Operations Manual. All vehicles purchased or leased for the DUCTZ Business are to be, and maintained, in a “good” condition as defined by KELLY BLUE BOOK (“good” condition means that the vehicle is free of any major defects). The paint, body and interior must have only minor (if any) blemishes, and there may not be any major mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in connection with the business are to be decaled as required by DUCTZ and the decals are to be free of defects. You will be required to submit photos of all vehicles used in connection with the DUCTZ Business in the manner and format we prescribe;
7. business forms and stationery;
8. designated and approved suppliers for business assets and supplies using our Marks;
9. types and amounts of insurance coverage;
10. compliance with applicable laws including obtaining required licenses and permits, payment of all taxes, assessments, fees, fines, and penalties arising out of the operation of the DUCTZ Business;
11. adhering to good business practices, observing high standards of honesty, integrity, fair dealing, and ethical business conduct in all dealings with customers, suppliers, and us (including, but not limited to, maintaining, at all times, professional behavior with all Customers, vendors and our personnel), and notifying us if any action, suit, or proceeding is commenced against you or your legal entity;
12. general operations including maintaining, at a minimum, Monday through Friday 8:00 AM to 5:00 PM business hours, sales, marketing, advertising, and promotional programs, call center usage, phone type/model/provider, and materials and media used in these programs, personnel practices, bookkeeping, accounting, data processing, and record keeping systems, and forms, methods, content, and frequency of reports to us of sales and financial performance, and the furnishing of tax returns related to the DUCTZ Business and other operating and financial information to us;
13. respond to any and all customers’ inquiries or complaints within one (1) business day, and resolve it within seven (7) days of the initial complaint, to reasonably insure positive customer relations and maintain the goodwill of the System, even when such response may necessitate re-performing a task not completed to the Customer’s satisfaction or a refund of moneys received;

14. any other aspect of the operation and maintenance of your DUCTZ Business that we determine periodically to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and the System;
15. public figures you choose in connection with local promotions;
16. use of a phone system, computer, electronic mail and website that meets our requirements, as periodically updated;
17. marketing, advertising, and promotional material prepared by you;
18. number of employees to necessary provide prompt courteous service;
19. timing of the training of other employees for the DUCTZ Business;
20. necessary amounts of working capital;
21. at our request, install, use and maintain a GPS for your vehicle(s), including payment of monthly fees to a designated GPS vendor, if you fail to report your Gross Sales timely and/or accurately on two or more occasions; and
22. any other aspect of the operation and maintenance of your DUCTZ Business that we determine periodically to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and the System.

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

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

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

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



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

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

## **B. MODIFICATION OF SYSTEM STANDARDS.**

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

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

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

Approval of a supplier may be conditioned on requirements relating to product quality, production and delivery capabilities, ability to meet our supply commitments and financial stability. Standards and specifications are updated periodically at our sole determination and are made available to you in our Manuals, other publications, and on our web site. There is no fee to

secure approval to purchase from alternative suppliers, but you must reimburse us our reasonable costs, regardless of if we subsequently approve your request. At our discretion, we may, with notice to you, revoke our approval of any previously approved products due to changes in standards and specifications or if such products subsequently fail to meet the quality of our current suppliers.

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

### **C. INSURANCE.**

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

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

Our current requirements are described below:

1. Commercial General Liability Insurance. You shall maintain insurance for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products/completed operations liability coverage. Limits shall be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit, and \$1,000,000 per occurrence limit. Contractual liability coverage including the assumed personal injury endorsement shall be included to cover the indemnity provisions of this Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims. DUCTZ International, LLC BELFOR Franchise Group, LLC, and BELFOR USA Group Inc. shall be named as an additional insured on such policy on a primary and noncontributory basis with a Grantor of Franchise Form CG2029 or an insurer's comparable form. Such policy shall also contain a waiver of subrogation endorsement as to claims against DUCTZ International, LLC, and BELFOR USA Group Inc., and BELFOR Franchise Group, LLC.
2. Automobile Liability Insurance. You shall maintain insurance with a combined single limit, CSL, of \$1,000,000 for bodily injury and property damage for all owned or leased vehicles and for hired and non-owned motor vehicles.

Additionally, uninsured motorist and under-insured motorist coverage will be equal to the CSL.

3. Workers' Compensation and Employers' Liability. Statutorily required workers' compensation insurance and employer's liability insurance shall be maintained with limits of at least \$500,000 by accident, \$500,000 by disease and \$500,000 policy limit; or the minimum limit required by your state, whichever is higher. Such policy shall contain a waiver of subrogation endorsement as to claims against DUCTZ International, LLC, BELFOR Franchise Group, LLC and BELFOR USA Group Inc. In "Monopolistic States", such as Ohio, North Dakota, Washington, Wyoming and West Virginia, "Stop Gap" coverage must be purchased separately or added to the CGL policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language.
4. Employee Dishonesty Insurance. You shall maintain employee dishonesty insurance with minimum limits of \$50,000 per loss and such coverage shall also cover acts of stealing against third parties.
5. Umbrella Liability Insurance. You shall maintain a commercial umbrella liability insurance policy with a limit of at least \$2,000,000 per occurrence and aggregate and shall list the commercial general liability, automobile liability and workers' compensation/employers' liability policies as scheduled underlying policies.
6. Other Insurance. You shall maintain compliance with any state, county, local, or other municipal insurance requirements and any other insurance policies we may require. BELFOR and DZNA may have additional insurance coverages that they require if you choose to complete a job for them or the NST. You have the option to turn down these jobs if you do not wish to add the coverages that they require. Currently the additional requirements are:
  - a. Pollution Insurance. A pollution insurance policy must be maintained with a limit of at least \$1,000,000. Must include first-party coverage for contamination of insured property either by external or on-site sources. Must also include coverage for liability to third parties arising from contamination of air, water, or land due to the sudden and accidental release of hazardous materials from the insured site. May not be required for every NST job offered.
  - b. BELFOR shall be named as an additional insured on this policy on a primary and noncontributory basis.

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

All general liability insurance policies will name us, BELFOR Franchise Group, LLC, BELFOR USA Group, Inc., and our designated affiliates, employees, officers and directors as

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

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

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

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

#### **D. RECORDS, REPORTS AND FINANCIAL STATEMENTS.**

We require you to use the DUCTZ Software, or other Required Software as we designate, for maintaining Customer records for the DUCTZ Business. We have confidential access to your databases and related information from the DUCTZ Software, which we use to compute the Royalty due on Gross Sales, and to make other evaluations and verifications. In addition, you promise to establish and maintain, at your expense, an accounting system that conforms to the requirements and formats that, from time to time, we prescribe. You shall furnish to us, in the manner and format that we require:

1. within 10 days of our request, un-audited income statement for the requested time period in a form satisfactory to us, and such additional reports as we may require;
2. within 90 days after the close of your fiscal year, a complete income statement and other financial statements in a form we may prescribe in our sole discretion;
3. within ten (10) days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the DUCTZ Business, as well as the state, federal and other income tax returns from your existing HVAC cleaning and restoration business(es), which we may need to review to assure all Gross Sales have been accurately reported;
4. by November 1 of each year, financial projections and a marketing plan for the upcoming year in the form we may prescribe in our sole discretion; and
5. any other reports we may require in the future.

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

You are required to use our designated accounting software, which is currently QuickBooks Online and is subject to change. In addition, you are required to follow our specified Chart of Accounts. DUCTZ has the right to change these requirements at our discretion. We will have automatic password access to your financial reports on this system.

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

#### **E. COMPLIANCE WITH LAWS.**

You will, at your expense, secure and maintain in force all required licenses, permits, and certificates relating to the operation of the DUCTZ Business and shall operate the DUCTZ Business in full compliance with all applicable local, state and federal laws, rules and regulations. You must, at your expense, comply with all federal, state, and local laws and regulations that apply to HVAC cleaning and restoration businesses in general. If your state or county licenses HVAC contractors and duct cleaners, you must be licensed before commencing operation of the DUCTZ Business and maintain such licenses throughout the term of this Agreement and any Renewal Terms. In states or counties where you are not required to be licensed by any governmental authority, you must satisfy to us that you possess the qualifications required to perform the services offered by DUCTZ Businesses. It is your responsibility to investigate the federal, state and local laws and regulations that pertain to HVAC cleaning and restoration businesses. You must maintain your license(s) in good standing with the licensing authority for the entire term of this Agreement and all renewals.

You will notify us in writing within five (5) days of the commencement of any action, suit, or proceeding for the issuance of any order, writ, injunction, award or decree or any court, agency

or other governmental instrumentality which may adversely affect the operation or financial condition of the DUCTZ Business.

#### **F. NADCA PARTICIPATION.**

We believe that continued education is a strategic, integral component of the success both for the individual Franchisee as well the brand as a whole. Currently, The National Air Duct Cleaning Association (“NADCA”) is the foremost leader in providing the most current specifications and standards in the air duct cleaning industry. Therefore, we require that each individual franchisee apply to become a member of NADCA before attending Business Manager and Technical Operations Training, and that they maintain their annual membership for the full term of this Agreement. It is encouraged but not mandatory that you attend the NADCA National Meeting. NADCA requires members to become ASCS/ certified. You and/or your Designated General Manager must become certified within three (3) months of your completion of Business Manager and Technical Operations Training. To become certified you must take and pass a test. This test may be offered during your attendance at Business Manager and Technical Operations Training. If you do not pass it the first time, you will need to re-take it at your sole expense within three (3) months. In addition, you must maintain certification, as defined by NADCA, and you must complete continuing education credits, several which are offered during the annual NADCA convention. NADCA Application Fee, first years’ Membership Dues, VMT Online training, ASCS Online Training and ASCS Exam are included in the Initial Package. All other costs relating to NADCA participation will be at your expense. If it is determined at a later point in time that the participation in NADCA is no longer worthwhile or in fact another organization proves to be more competitive in terms of continued education and support, we reserve the right to modify this requirement and require membership in such new organization at your sole cost.

#### **8. INSPECTIONS AND AUDITS.**

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

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

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

##### **B. OUR RIGHT TO AUDIT.**

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

If any inspection or audit discloses an understatement of Gross Sales, we can debit your account, as provided in Sections 2.C and 2.H of this Agreement, for the Royalty and Brand

Marketing Fund contributions which are due on the amount of the understatement, plus interest, at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is lesser, and all late fees, from the date originally due until the date of payment.

Furthermore, if we conduct an inspection or audit due to your failure to (a) furnish reports, supporting records, or other information as required, (b) furnish these items on a timely basis, (c) to record all Customer payments in the DUCTZ Software within 48 hours of their receipt, or (d) use the DUCTZ/Required Software for scheduling or invoicing, or we discover that an understatement of Royalty is greater than 3% for any period reviewed, you promise to reimburse us for the cost of the inspection and/or audit, including without limitation, the charges of attorneys and independent accountants, the travel, room and board expenses, and compensation of our employees. Further, if an understatement of the Royalty is greater than 3%, you also promise to pay us an additional penalty fee equal to 10% of the total amount of the understated Gross Sales.

These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

## **9. TAXES AND ADVANCES.**

### **A. TAXES.**

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

### **B. ADVANCES.**

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

## **10. TRANSFER.**

### **A. BY US.**

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

### **B. BY YOU.**

You acknowledge and agree that we have entered into this Agreement with you based on your personal qualifications, experience, skills, character, etc. Thus, you cannot transfer this Agreement. "Transfer" shall mean any voluntary, involuntary, direct, or indirect, in whole or in part, assignment, sale, gift, encumbrance, lease, merger, bequest, change in control, or other disposition of 1) this Agreement or any rights thereunder, 2) the DUCTZ Business or its assets, 3) any part of your ownership interest in the assets of the DUCTZ Business, or 4) any part of your the equity/ownership interest in the Franchisee entity, or a grant of an option, warrant or right to

acquire an equity or ownership interest, including but not limited to by divorce, insolvency, probate or intestate succession, trust, or other operation of law. All Transfers require our prior written approval and are subject to the conditions below. Any such Transfer without our prior written approval will be void and will constitute a breach of this Agreement. We will not, however, unreasonably withhold our approval provided that the conditions specified below are met, which we will determine in our sole discretion:

1. you are in full compliance with this Agreement or any other agreement between you and us, our affiliates, or our designated/approved suppliers and vendors, and you have paid all accrued monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;
2. the transferee has demonstrated sufficient business experience, aptitude, and financial resources to meet our then-current standards and qualifications for new franchisees;
3. the transferee and its Owners, affiliates, and Owners' immediate family members are not engaged in a competitive business, unless they agree to operate all competitive HVAC cleaning and restoration businesses as a part of the DUCTZ System;
4. you provide us with written authorization to release to the transferee any and all information about the operation of the DUCTZ Business which we have collected;
5. at our option, the transferee must sign our then-current form of franchise agreement for a full term, the personal guaranty and all other required exhibits, the terms of which may material differ from the terms of this Agreement;
6. in the case of an installment sale, a transaction where Franchisee provides financing to transferee, transferee pays Franchisee via a promissory note or other structured payment plan, Franchisee must continue to guarantee performance and all payment obligations to Franchisor under this Agreement until the final closing of the installment sale or final payment of such structured payment arrangement;
7. if you finance any part of the sale price of the transferred interest, then (a) you agree and will assure that all of the transferee's obligations under any promissory notes or agreements are subordinate to the transferee's obligation to pay Royalties, Brand Marketing Fees, and other amounts due to us and otherwise to comply with this Agreement, (b) you will not hold any security interest reserved in the business, and (c) you will enter into a comfort letter assuring us that the transferee will meet its obligations under the Franchise Agreement, and reaffirming your guaranty of the Franchise Agreement;
8. you pay us:
  - a. our then-current transfer fee, as published in our Operations Manual. The transfer fee is due upon our preparation of the required transfer documentation (consent to transfer and assignment agreement and/or preparation of transferee's franchise agreement), and is non-refundable at such time;



- b. all Royalties for completed jobs up through the date of closing, fees, amounts owed under any promissory notes with us, Late Payment Fees, Late Report Fees, NSF Fees, Interest Fees, and all other fees or amounts owed to us, plus interest; and
  - c. all commissions, broker fees or other similar expenses if: (i) you list the DUCTZ Business with a broker, lead referral network or similar entity; or (ii) the transferee is referred to you or us by a broker, lead referral network or similar entity;
9. the transferee has successfully completed our Business Manager and Technical Operations Training program;
  10. the transferee must assume and agree to be bound by all outstanding obligations to customers and clients of the DUCTZ Business;
  11. you, your principals, and the transferee (if we have a prior relationship with the transferee) have signed a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, and agents (such requirement to sign a general release is subject to change in our sole discretion);
  12. we have approved the material terms and conditions of the transfer, the form of purchase and sale agreement, and determined that the price and terms of payment will not adversely affect the transferee's operation of the DUCTZ Business;
  13. in the event of an approved transfer to a wholly owned corporation or limited liability company, we will require you to own and control at least 67% of the issued and outstanding capital stock or other ownership interest;
  14. you must have attended Business Manager and Technical Operations Training and your business must be open in order to transfer the DUCTZ Business;
  15. you must affirm and comply with your post-termination obligations, including, without limitation, such obligations set forth in Sections 6 or 13.
  16. the transferee must obtain, within the time limits set by us, and maintain thereafter, all permits and licenses required for the operation of the DUCTZ Business;
  17. to the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;
  18. the transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises; and
  19. if required by us, in our sole discretion, transferee must purchase all or a portion of the Initial Package, new or refurbished equipment, inventory, new vehicles/vehicle wraps, and complete remodeling, refurbishing, renovation or upgrades required by Franchisor, etc. to ensure the DUCTZ Business is in compliance with our current System Standards and in well-maintained condition.

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

**C. OUR RIGHT OF FIRST REFUSAL.**

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

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

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

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

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

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

In the event of the Designated General Manager's death or disability, and before a transfer of his/her interests in this Agreement, another owner of Franchisee, or the Designated General Manager's spouse, child, or parent may temporarily operate the DUCTZ Business only if 1) this party otherwise would qualify as a transferee, 2) personally manages the business on a full time basis, 3) is approved by the Franchisor, 4) successfully completes our Training Program as described in Section 3.A, and 5) signs an assignment and assumption of the Franchise Agreement or the then-current form of franchise agreement, if applicable. If no qualified person applies to Franchisor to operate the DUCTZ Business in the interim, Franchisor shall have the right to appoint a representative or another franchisee to operate it upon giving notice to the executor.

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

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

#### **E. OWNERSHIP.**

1. The following provisions apply if you or any permitted successor is a partnership, Limited Liability Company ("LLC") or corporation:
  - a. The articles of partnership, partnership agreement, articles of organization, articles of incorporation, by-laws and other organizational documents shall provide that the issuance and transfer of any interest in the legal entity is restricted by the terms of this Agreement. Copies of such documents and of resolutions of the legal entity's board of directors or managers authorizing its entry into this Agreement shall be furnished to us upon request.
  - b. All general partners, members and all direct and indirect holders of a 10% or greater equity interest shall, upon the legal entity's execution of this Agreement, execute an agreement personally guaranteeing to us the full payment and performance of the legal entity's obligations to us and undertaking to be bound, individually, jointly and severally, by all the terms of this Agreement including, without limitation, the restrictions on assignment contained herein. The personal guaranty shall be in the form attached hereto as Exhibit L or in such other form as we may from time to time prescribe.
  - c. The legal entity shall not use the name "DUCTZ" or any other Mark, or any name deceptively similar thereto, except to reflect its franchise relationship with us. Neither the legal entity nor any of its Owners may issue or sell, or offer to issue or sell, any securities of the legal entity or an affiliate of the legal entity, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior written consent, which is in our sole discretion, and complying

with all of our requirements and restrictions concerning use of information about us.

- d. The legal entity shall furnish us, at the time of execution of this Agreement and upon all transfers subject to the provisions of this Section 10, a list of all stockholders, members, managers and partners having an interest in the legal entity, their respective percentage interests and the number of shares directly and indirectly owned or controlled by each.
- e. The legal entity, if a corporation, shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section and shall cause all certificates representing outstanding voting securities to be surrendered for reissuance and cause all certificates for voting securities in the future to be issued with this legend printed conspicuously upon the face of each certificate: “The transfer of this certificate and the shares it represents is subject to the terms and conditions of a certain Franchise Agreement with DUCTZ International, LLC. Reference is made to that Agreement and to certain restrictive provisions of the Articles and by-laws of this corporation.”
- f. The legal entity acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the System, the Marks, the Confidential Information, as well as our high reputation and image, and are for the protection of us and all other DUCTZ franchisees.
- g. It is agreed and understood that no other business, business operations outside the operation of the DUCTZ Business may be undertaken or conducted through such legal entity.

## **11. EXPIRATION OF THIS AGREEMENT.**

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

Upon the expiration of this Agreement, provided that during its term you complied substantially with its provisions, including the timely payment of all fees and royalties, you may continue your Franchised Business for two (2) additional terms of ten (10) years each (each, a “Renewal Term” (as previously defined)).

We may refuse to offer you a Renewal Term if you:

- 1. are not, at the time, in substantial compliance with this Agreement, or any other ancillary agreement then in effect between you and us;
- 2. have received written notice by us three (3) or more times during the last 30 months of the Initial Term or any Renewal Terms for failure to comply with the terms of this Agreement and were in violation of your obligation(s), whether or not the failure is subsequently cured;
- 3. have failed on more than three (3) separate occasions during the last 24 months of the Initial Term or any Renewal Terms to make timely payment to us of all sums due to us; or

4. have failed on more than three (3) separate occasions during the last 24 months of the Initial Term or any Renewal Terms to service all Customers in a manner consistent with our System Standards and reputation of ethical and professional conduct.

**B. AWARD OF A RENEWAL AGREEMENT.**

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

1. to award you a renewal franchise agreement;
2. to award you a renewal franchise agreement on the condition that you correct any provisions of this Agreement with which you are not in compliance; or
3. not to award you a renewal franchise agreement based on our determination that you have not substantially complied with this Agreement during its term.

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

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

**C. AGREEMENTS/RELEASES.**

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

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

**D. RENEWAL FEE.**

You promise to pay us our then-current Renewal e Fee upon execution of your renewal franchise agreement.

## **12. TERMINATION OF AGREEMENT.**

### **A. AUTOMATIC TERMINATION WITHOUT NOTICE.**

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

1. If you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or the DUCTZ Business.
2. If proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or the DUCTZ Business without your consent, and the appointment is not vacated within 60 days.
3. You attempt to make an unauthorized transfer of this Agreement or the Franchised Business in violation of any of the transfer provisions contained in Section 10 of this Agreement.

### **B. AUTOMATIC TERMINATION WITH NOTICE.**

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

1. Your Managing Owner and, if applicable, Designated General Manager, fail to attend or successfully complete the Business Manager and Technical Operations Training within four (4) months of signing this Agreement and/or fulfill all the pre-training requirements, which include the payment of all monies due to us, and the completion of all the required tasks as designated on the DUCTZ owners' intranet website and in the Operations Manual;
2. You fail to commence operation of the DUCTZ Business within four (4) months of signing this Agreement and/or two (2) months following your successful completion of the Business Manager and Technical Operations Training, whichever is later;
3. You have made or make any material misrepresentation or omission in purchasing the Franchise or operating the DUCTZ Business;
4. You receive from us three (3) or more notices to cure the same or similar defaults or violations of this Agreement, within any two (2)-year period of time, regardless of whether these defaults were cured after notice was sent to you;
5. You are or have been convicted by a trial court of, or plead no contest to a felony or any conviction rising to the equivalent of a felony and/or failure to disclose a prior felony conviction or conviction rising to the equivalent of a felony to us;
6. You understate your Royalty by three percent (3%) or more, in any reported financial statement, on three (3) or more occasions, during any consecutive two (2)-

- year time frame during the term of this Agreement, regardless of whether or not you subsequently rectify the deficiency;
7. You engage in any dishonest or unethical conduct, which may adversely affect the reputation of the DUCTZ Business, or the general goodwill associated with the Marks;
  8. You violate any provision regarding confidentiality or non-disclosure contained in Sections 6 and 13 of this Agreement;
  9. You cease to continuously and actively operate the Business for five (5) consecutive days, unless caused by an act of God, or other circumstance beyond your control, as determined by us; or the business telephone is disconnected at any time and no new number is immediately reinstalled or reconnected; or your conduct is otherwise determined by us to constitute an abandonment of the Business;
  10. You fail to acquire or continuously maintain the required minimum levels of insurance, fail to have us, BELFOR USA Group, Inc., and/or BELFOR Franchise Group, LLC named as an additional insured, or fail to provide a current certificate of insurance to us as required in Section 7.C of this Agreement. However, we will not exercise our right to terminate this Agreement if upon receipt of notice from us, you immediately cease operating the DUCTZ Business and obtain such insurance within ten (10) days after written notice is delivered to you prior to resuming operation;
  11. You fail to attend the DUCTZ Convention at least once every two (2) years;
  12. Your Managing Owner or, if applicable, your Designated General Manager, fail to attend, or send a representative in their place, to a minimum of one (1) training course or regional meeting per two (2) calendar years, provided that at least two (2) of the above named events have been offered during that time period;
  13. You fail to employ and train a Service Technician within four (4) months of signing this Agreement;
  14. Any other franchise agreement or other agreement you or your owner(s) or affiliates have with us, or any franchise agreement you or your owner(s) or affiliates have with DUCTZ International, LLC is terminated for any reason;
  15. You commit three (3) or more defaults of this Agreement, of any type, in any 12-month period;
  16. If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, or any lease for the Office Site, and fail to cure such breach within any permitted period for cure;
  17. If you or your principals materially violate any provision hereof pertaining to Marks or Confidential Information or misuse the Marks or Confidential Information;
  18. If you violate any safety or sanitation law, ordinance or regulation or operate the DUCTZ Business in a manner that presents a health or safety hazard to customers, or the general public;

19. If you violate the in-term restrictive covenant contained in Section 6;
20. If a levy of writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets which is not released or bonded against within 30 days;
21. If you or any of your principals become insolvent;
22. You order or purchase supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier;
23. You misuse or make unauthorized use of any DUCTZ/Required Software that we may develop for use in connection with the System;
24. You fail to comply with the provisions of Section 15.S;
25. You take for your own personal use any assets or property of the DUCTZ Business, including employee taxes, FICA, insurance or benefits;
26. If there are insufficient funds in your bank account to cover a check or EFT payment to us three (3) or more times within any 12-month period or you fail to achieve minimum sales for three (3) consecutive months.

**C. TERMINATION IF NOT CURED WITHIN 15 DAYS.**

We have the right to terminate this Agreement if any of the following defaults remains uncured after your receipt of a default notice from us and expiration of a 15-day cure period:

1. You fail to make payment of any amounts due to us or our affiliates, or funds are not available in your account for debiting when they are due, or you do not record in the DUCTZ Software funds paid to you for jobs completed within 48 hours of their receipt, or you default on any loan made to you by us or our preferred lender, if applicable, in connection with your DUCTZ Business;
2. You fail to have in your employ for a period of two (2) consecutive months (a) at least one (1) Service Technician, or (b) a Designated General Manager, if you are required to have one.
3. You fail, within 15 days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the DUCTZ Business;
4. You fail to comply with any part or condition, warranty, or certification requirement in this Agreement, the DUCTZ owners' intranet website, Operations Manual and/or other DUCTZ confidential materials;
5. You fail to comply with modifications to System Standards on the DUCTZ owners' intranet website, or in the Operations Manual within the required time period;
6. You fail to make payments on the vehicle resulting in repossession or you do not have a vehicle that meets our standards to operate the Business;
7. You fail to receive our prior written approval and use products or materials that do not meet our System Standards and/or do not promptly discontinue use after written notice from us;



8. You fail to timely provide us with any report, statement, or return required by this Agreement;
9. You fail to service all Customers in a manner consistent with our System Standards and reputation and you fail to cure such inconsistency;
10. You market, advertise, solicit or service a Customer who is located outside the Territory without permission;
11. You fail to immediately endorse and deliver to us any payments due to us from any third party that is erroneously made to you;
12. If you fail to maintain the prescribed months, days or hours of operation at the DUCTZ Business;
13. If you fail, in our sole discretion, to personally supervise day-to-day operation of the DUCTZ Business or fail to employ a sufficient number of qualified, competent personnel as we require from time to time;
14. If you fail to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual;
15. You conduct yourself in a manner that, although not criminal, reflects adversely on the System, the Marks, or the products offered through the System; or
16. You fail to procure or maintain any licenses, certifications, or permits necessary for the operation of your DUCTZ Business.

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

In addition to our right to terminate this Agreement, and not in lieu of such right, or any other rights we may have against you, upon a failure to cure any default within the applicable time period (if any), we have the right, but not the obligation, to enter upon the DUCTZ Business premises and exercise complete authority with respect to the operation of the DUCTZ Business until such time as we determine, in our sole discretion that the default has been cured, and you are otherwise in compliance with this Agreement. In the event we exercise the rights described in this Section, you must pay us a reasonable management fee and reimburse us for all reasonable costs and overhead, if any, incurred in connection with our operation of your DUCTZ Business including, without limitation, costs of personnel for supervising and staffing the DUCTZ Business and their travel and lodging accommodations, plus a 20% service charge. This fee is in addition to the payment of the Royalty and all other fees due under this Agreement during the time we exercise our rights under this Agreement. If we undertake to operate the DUCTZ Business pursuant to this Section, you agree to indemnify and hold us (and our representative(s) and employees) harmless from and against any fines, claims, suits or proceedings that may arise out of our operation of the DUCTZ Business.

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

**D. LIQUIDATED DAMAGES**

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

**13. POST TERMINATION OBLIGATIONS.**

**A. PAYMENT OF AMOUNTS OWED TO US.**

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

1. all Royalties, Referral Fees, promissory note balance(s), Late Report Fees, Late Payment Fees, NSF Fees, Interest Fees, or any other fees, amounts or interest owed to us; and
2. upon termination for any default, the actual and consequential damages, costs, and expenses (including reasonable attorneys' and experts' fees) incurred by us as a result of your default.

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

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

**B. MARKS.**

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

1. strictly comply with, observe, and abide by all of the post-termination provisions of this Agreement, including those as set forth in Sections 5, 6 and 13.D of this Agreement;
2. neither directly nor indirectly represent to the public that any other business you may then own or operate, is or was operated as, or was in any way connected to, the System;

3. not hold yourself out or advertise in any context that you are a present franchisee or were a former franchisee of ours;
4. immediately refrain from engaging in any business relationship with any contacts with Customers or former Customers of the Franchised Business, whether with respect to collection of accounts receivable, providing Services, or for any other purpose whatsoever;
5. assign any and all accounts receivable to us for collection, unless all Royalties and other payment obligations to us are paid in full. In connection with this assignment, you appoint us as attorney-in-fact to engage in these collection activities and you specifically refrain from engaging in any of these collection activities. We promise to employ good faith efforts, including where appropriate in our sole and exclusive judgment the commencement of legal proceedings to collect the accounts receivable. We have no duty or obligation to you to accomplish the collection of such accounts receivable. We will remit to you any of these sums collected after first deducting all moneys owed to us and our costs of collection;
6. immediately cease operation under this Agreement and not operate or do business under any name or in any manner which might tend to give the general public the impression that you are operating a DUCTZ Business, or any confusingly similar business;
7. take the action required to cancel all DBAs or equivalent registrations relating to your use of any Mark;
8. deliver to us, within seven (7) days, all electronic and hard copies of Customer Information;
9. remove all signage from vehicles and store fronts and deliver to us, within five (5) days, the Operations Manual and all copies thereof, and all proprietary information, confidential material, Required Software (including the DUCTZ Software), signs, sign-faces, marketing and advertising materials, forms, uniform patches, decals (or proof of their removal) and other materials containing any Mark or otherwise identifying or relating to a DUCTZ Business, and allow us, without liability to you or third parties, to remove all of these items from your vehicles and place of business;
10. notify the telephone company and all telephone directory publishers and Internet directory listings (including Google, Yahoo! and others) of the termination or expiration of your right to use any listing, telephone, telecopy, or other numbers and any telephone directory listings associated with any Mark, and authorize the transfer of these numbers and directory listings to us or, at our direction, instruct the telephone company to forward all calls made to your telephone number to numbers we specify. If you fail to do so, we can take whatever action is necessary, on your behalf and consistent with the telephone and other listing agreement attached to this Agreement as Exhibit D, to affect these events;

11. agree to cooperate with us to effectuate any change in telephone numbers or other transfers of our property to us, including the signing of any forms, authorizations or other documents necessary;
12. deliver to us, upon our request, an assignment of any real estate leases for property from which the DUCTZ Business was operated; and
13. deliver to us, within 30 days, evidence that is satisfactory to us of your compliance with each of the foregoing obligations.

**C. CONFIDENTIAL INFORMATION.**

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

**D. COVENANT NOT TO COMPETE.**

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

1. the Territory as defined in this Agreement;
2. the geographic area encompassed by the Territories of any DUCTZ franchisees, Company Stores, or any other DUCTZ business operator, as of the date of the termination or expiration of this Agreement; or
3. a geographic area that is contained in a circle having a radius of 50 miles outward from the outside boundary of the Territory as defined in this Agreement.

**E. CONTINUING OBLIGATIONS AND OTHER OBLIGATIONS.**

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

If, within five (5) days after termination or expiration of this Agreement, you fail to remove all displays of the Marks, we may enter the DUCTZ Business to effect removal. In this event, you agree that you may not file any complaint or action against us for trespass or any other violation

or claim, nor shall we be accountable or required to pay for any displays or materials. You agree that this Agreement shall constitute your complete consent to such entry set forth in this Section.

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

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

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

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

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

You shall not form, adopt or use in connection with, or in the name of, any subsequent business the terms or term "DUCTZ" or "Ducts" or any term confusingly similar to such term or any other term which may have the effect of creating confusion or question regarding his/her affiliation with the System or us.

## **14. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

### **A. INDEPENDENT CONTRACTORS.**

You acknowledge and agree that, under this Agreement; you are and will be an independent contractor of ours. You will not be deemed an employee of ours for any purpose, and no employee of yours will be deemed to be an employee of ours for any purpose, most particularly with respect to any mandated or other insurance coverage, tax, or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, or federal governmental agency. Nothing in this Agreement will be construed so as to create a partnership, joint venture, or agency. You do not have any power to obligate us for any expenses, liabilities, or other obligations, other than as is

specifically provided for in this Agreement. We will not have the power to hire or fire your employees and, except as expressly provided in this Agreement, we may not control or have access to your funds or expenditures, or in any other way exercise dominion or control over the Business.

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

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

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

## **C. INDEMNIFICATION.**

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

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

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

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

# **15. ENFORCEMENT.**

## **A. SEVERABILITY.**

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

be curtailed and limited only if necessary to bring them within the requirements of the law. In the event that any part, article, paragraph, sentence, or clause of this Agreement, the DUCTZ owners' intranet website, or the Operations Manual, will be held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid, or unenforceable provision will be deemed deleted, and the remaining part of this Agreement will continue in full force and effect.

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

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

#### **B. WAIVER OF OBLIGATIONS.**

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

#### **C. FEES AND EXPENSES.**

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

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

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

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

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

#### **F. DISPUTE RESOLUTION PROCEDURES.**

1. Internal Dispute Resolution. You must first bring any claim or dispute you have with us and our shareholders, officers, directors, agents and employees to our

President, after providing notice as set forth in Section 15.F.4 below. You must exhaust this internal dispute resolution procedure before you may bring your dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

2. Mediation. At our option, all claims or disputes between us, our shareholders, officers, directors, agents and employees and you, arising out of, or in any way relating to, this Agreement or any other agreement by and between you and us or our affiliates, or any of the parties' respective rights and obligations arising from such agreement, or the operation of the DUCTZ Business which are not first resolved through the internal dispute resolution procedure set forth in Section 15.F.1 above, must be submitted first to non-binding mediation in Ann Arbor, Michigan under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against us or our shareholders, officers, directors, agents and employees with respect to any such claim or dispute, you must submit a notice to us, which specifies, in detail, the precise nature and grounds of such claim or dispute. We will have a period of 30 days following receipt of such notice within which to notify you as to whether we or our affiliates elects to exercise our option to submit such claim or dispute to mediation. You may not commence any action against us, our shareholders, officers, directors, agents and employees or our affiliates with respect to any such claim or dispute in any court unless we fail to exercise our option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated as the result of a written declaration of either: (i) the mediator(s) that further mediation efforts are not worthwhile; or (ii) us. We may specifically enforce our rights to mediation. Each party shall bear its own cost of mediation and you and we shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement.
  - a. We shall not be required to first attempt to mediate a controversy, dispute, or claim as set forth in this Section 15.F.2 if such controversy, dispute, or claim concerns an allegation that you have violated (or threaten to violate, or pose an imminent risk of violating):
    - i. Any federally protected intellectual property rights in the Marks, the System, trade secrets, or Confidential Information;
    - ii. Any claims pertaining to or arising out of any warranty issue;
    - iii. Any of the restrictive covenants contained in this Agreement; or
    - iv. Any claims arising out of or related to fraud or misrepresentation by you or your insolvency.
3. Selection of Venue. Nothing contained in this Agreement shall prevent us from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect our interests. The parties expressly agree to the exclusive jurisdiction and venue of any court of general jurisdiction in Washtenaw County, Michigan or the United States District Court for the Eastern District of



Michigan. You acknowledge that this Agreement has been entered into in the State of Michigan, and that you are to receive valuable and continuing services emanating from our headquarters in Ann Arbor, Michigan, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, you hereby irrevocably consent to the personal jurisdiction of the state and federal courts of the State of Michigan as set forth above and waive any objection you may have to either the jurisdiction or venue in such court. In the event that you file an action in any forum or jurisdiction in violation of this Section 15.F.3, you shall pay our costs and fees, including our reasonable attorneys' fees, in connection with any efforts to order the dispute to the proper forum or jurisdiction.

4. Prior Notice of Claims. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
5. Third Party Beneficiaries. Our officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Section 15.F, each having authority to specifically enforce the right to mediate/litigate claims asserted against such person(s) by you.

#### **G. INJUNCTIVE RELIEF.**

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

#### **H. CHOICE OF LAW.**

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

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

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

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

**J. BINDING EFFECT.**

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

**K. LIMITATIONS OF CLAIMS.**

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

**L. CONSTRUCTION AND INTEGRATION.**

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

You agree that no modifications of this Agreement (except those specifically authorized herein) shall be effective except those in writing and signed by both parties. You acknowledge that you have not received any express or implied representations or warranties regarding the sales, earnings, income, profits, gross revenues, business or financial success, value of the franchise,

provided by us or our representatives or any other matters pertaining to the franchise from us or any of our officers, employees or agents that were not contained in this Agreement or the Franchise Disclosure Document received by you (hereinafter “Representations”). You further acknowledge that if you had received any such Representations, you would not have executed this Agreement, and you would have: (a) promptly notified us in writing of the person or persons making such Representations; and (b) provided to us a specific written statement detailing the Representations made. You acknowledge that we justifiably have relied on your representations made before the execution of this Agreement. Nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

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

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

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, will be deemed to include any of our affiliates with whom you deal. The term “affiliate,” as used in this Agreement with respect to you or us, means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. For purposes of this definition, “control” means the power to direct or cause the direction of management and policies.

If two (2) or more persons are the franchisee under this Agreement, their obligation and liability to us will be joint and several.

This Agreement may be signed in multiple copies, each of which will be deemed an original.

#### **M. COMPLIANCE WITH OTHER LAWS.**

You must comply with all national, state, and local laws and regulations that apply. You are solely responsible for investigating and complying with these laws.

#### **N. WAIVERS.**

We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; (b) we do not insist on your strict compliance with the terms of this Agreement; (c) there develops a custom or practice which is at variance with the terms of this Agreement; or (d) we do not demand payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchisee or Owner, will not affect our rights with respect to any later breach by you or anyone else.

**O. EFFECTIVE DATE AND LOCATION OF AGREEMENT.**

This Agreement shall not be effective until accepted by us as evidenced by dating and signing by an officer of us and the place of execution of this Agreement shall be the State of Michigan.

**P. DAYS.**

Unless otherwise specifically stated in this Agreement, the term “days” shall refer to calendar days.

**Q. ADDITIONAL DOCUMENTATION.**

You must from time to time, subsequent to the date first set forth above, at our request and without further consideration, execute and deliver such other documentation or agreement and take such other action as we reasonably may require in order to effectuate the transactions contemplated herein. In the event that you fail to comply with the provisions of this Section, you hereby appoint us as your attorney-in-fact to execute any and all documents on your behalf that are reasonably necessary to effectuate the transactions contemplated herein.

**R. FORCE MAJEURE.**

Neither you nor us or our affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if that party’s failure to perform its obligations is not the fault nor within the reasonable control of that person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as we deem reasonable.

**S. ANTI-TERRORIST ACTIVITIES.**

You certify that neither you, nor your owners, principals, employees or anyone associated with you are listed in the Annex to Executive Order 13224 (the “Annex”). You agree not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, your owners, principals, employees, or anyone associated with you being listed in the Annex. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you certify, represent, and warrant that none of your property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that you and your Owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all such Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities as provided in Section 14.C of this Agreement pertain to your obligations under this Section. Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you, your owners, principals or employees will constitute grounds for immediate termination, upon notice, of this Agreement and any other agreement you have entered into with us or one (1) of our affiliates in accordance with the terms of Section 12 of this Agreement. As used herein, “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title

31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

## **16. NOTICES AND PAYMENTS.**

Any notice, report, payment, or other communication that is required to be delivered by the provisions of this Agreement, will be in writing and will be deemed to be delivered:

1. at the time of hand delivery;
2. at the time delivered via computer transmission (electronically verified and absent a notice of non-delivery) and, in the case of Royalty and other due fees, at the time we actually debit your account;
3. one (1) business day after transmission by telecopy, facsimile, or other electronic system;
4. one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or
5. five (5) business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

All communications are to be addressed to the party to be notified at its most current principal business address. Both you and we agree to immediately notify the other of any change in address. Any required payment or report that we do not actually receive during regular business hours on the date due will be deemed delinquent.

## **17. YOUR AFFIRMATIONS.**

In awarding this DUCTZ Business, we are relying upon your statements, as affirmed by your initials to the left of each statement, that:

\_\_\_ \_\_\_ The Managing Owner or, if applicable, the Designated General Manager, shall devote his/her full-time best efforts to the development and management of your Business. At least one (1) Managing Owner or Designated General Manager will operate the DUCTZ Business on a full-time basis.

\_\_\_ \_\_\_ We have not made, nor have you relied on, any representation as to the past or future sales, volume or potential profitability, earnings or income of the DUCTZ Business, or any other DUCTZ Business, other than the information provided in our franchise disclosure document.

\_\_\_ \_\_\_ You have had the opportunity, and have been encouraged by us, to independently investigate and analyze both the DUCTZ franchise opportunity and the terms and provisions of this Agreement by contacting any and all of our Owners and by utilizing the services of attorneys, accountants, or other advisors as you deem to be necessary.

\_\_\_ \_\_\_ You are not relying on any representation or statement that we have made, regarding the anticipated income, earnings and growth of DUCTZ, the System, or the viability of the DUCTZ franchise opportunity.

\_\_\_\_ Like any other business, the nature of the business conducted by DUCTZ Businesses may, and probably will, evolve over time.

\_\_\_\_ Your abilities and efforts are vital to the success of the DUCTZ Business.

\_\_\_\_ Continually securing new Customers is necessary to the DUCTZ Business and requires you to make consistent and repeated marketing and advertising efforts through a variety of mediums.

\_\_\_\_ We have certain rights reserved to us to own and operate DUCTZ Businesses, to franchise or franchise others to operate DUCTZ Businesses, and to otherwise use the System, Marks, know-how, techniques, and procedures, including (without limitation) those expressly set forth in of this Agreement.

\_\_\_\_ We may sell our assets, Marks, or the System, outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations; may undertake a re-financing, re-capitalization, leverage buyout or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, you expressly and agree to provide reasonable closing certificates and other documentation as reasonably requested by us to conclude the transaction, and specifically waive any claims, demands, or damages arising from or related to the loss of said Marks (or any variations of them) and/or the loss of association with or identification of DUCTZ International, LLC, as the franchisor of this Agreement.

\_\_\_\_ The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on you, since you have other considerable skills, experience, and education which will afford you the opportunity to derive income from other endeavors.

\_\_\_\_ All information that you have set forth in any and all applications, financial statements, and submissions to us is true, complete, and accurate in all respects, and you expressly acknowledge that we are relying upon the truthfulness, completeness, and accuracy of this information.

## **18. REPRESENTATIONS.**

NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT OUR AUTHORIZED OFFICER BY A WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF THAT HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.

THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO EXECUTION OF THIS

AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF OUR FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR YOUR PAYMENT OF ANY MONIES TO US, REFUNDABLE OR OTHERWISE.

YOU ACKNOWLEDGE THAT WE HAVE RECOMMENDED, AND THAT YOU HAVE HAD THE OPPORTUNITY TO OBTAIN, REVIEW THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT BY YOUR LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF YOU ARE A PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY WARRANTS TO US, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER, OFFICER, OR MANAGER/MEMBER THAT ALL OF THE PARTNERS OF THE PARTNERSHIP, ALL OF THE SHAREHOLDERS OF THE CORPORATION, OR ALL OF THE MANAGERS/MEMBERS OF THE LIMITED LIABILITY COMPANY, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP, CORPORATION, OR LIMITED LIABILITY COMPANY.

**IN WITNESS WHEREOF**, the parties hereto have signed and delivered this Agreement on the date stated on the first page hereof.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY/NAME]**

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

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

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

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

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

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

**OWNERS**

\_\_\_\_\_  
[NAME], Individually

\_\_\_\_\_  
[NAME], Individually



**EXHIBIT A**  
**TO THE FRANCHISE AGREEMENT**  
**DESIGNATED PERSONNEL**

The “Managing Owner” referred to in Section 1.C of the Franchise Agreement will be the following person:

\_\_\_\_\_

The “Designated General Manager” referred to in Section 1.C of the Franchise Agreement will be the following person (if there is no Designated General Manager, please write “none”):

\_\_\_\_\_

**EXHIBIT B  
TO THE FRANCHISE AGREEMENT**

**SUMMARY OF INITIAL PACKAGE**

<b>Item:</b>
DUCTZ Apparel
Branded Print and Marketing Material
HVAC Small Tools Package
HVAC Equipment Package
HVAC Safety Package
NADCA Application Fee and 1 <sup>st</sup> Year Membership
NADCA ASCS & VMT Online Training
NADCA ASCS Exam
Convention Allowance
Click Safety Training

A full listing of the equipment included in the packages will be provided in your Operations Manual.

**EXHIBIT C  
TO THE FRANCHISE AGREEMENT**

**FRANCHISE MANAGEMENT SOFTWARE LICENSE AGREEMENT**

Franchisor grants a renewable license (“License”) to Licensee upon the terms included in this Agreement and subject to all the terms of a Franchise Agreement between Franchisor and Licensee signed concurrently with this Agreement.

Licensee shall, during the term of this Agreement and upon the start of their DUCTZ franchised business, pay Franchisor a weekly usage/support/upgrade fee. The amount of this fee may change periodically at the discretion of Franchisor. Failure to make any payment shall result in the immediate termination of this License.

**TERMS AND CONDITIONS**

1. **License Grant:** Franchisor grants to Licensee a renewable License to use the DUCTZ Franchise Management Software System (“Product” or “DUCTZ Software”), and all subsequent upgrades, on Licensee’s computer. This License does not extend to other parties, even if they use the same computer. Franchisor reserves the right to issue new modules, which may be separately licensed.
2. **Title:** Title to the Product shall remain with Franchisor.
3. **Term:** This License is a quarterly license. It shall automatically renew each quarter and shall remain in effect throughout the term of the Franchise Agreement between Franchisor and Licensee.
4. **Copies and Listings:** The Licensee shall not copy or reverse-engineer the Product in whole or in part, nor shall it permit other parties to do so.
5. **Protection of Product:** Licensee agrees not to make available to any party the Product or any of its parts. Licensee agrees to take appropriate action with its employees and any other parties to obtain assurances of non-disclosure consistent with this Agreement.

Licensee recognizes that the Product is Franchisor’s copyrighted property, represents a large investment of human and financial resources by Franchisor, is a trade secret of Franchisor, and is confidential information. Licensee agrees to keep the Product, and all related materials, confidential. Licensee will use its best efforts, including any reasonable security precautions as Franchisor may request, to insure that the proprietary rights of Franchisor are preserved to the fullest extent possible under the law. In addition to the right to terminate this Agreement, Franchisor shall be entitled to seek appropriate injunctive relief in the event of any violation of the confidentiality of its copyrighted materials, and to bring an action at law where appropriate.

6. **Assignment and Sub-Licensing:** This License shall not be assigned or sub-licensed by Licensee, except with the prior, specific written consent of Franchisor.
7. **Warranty:** Franchisor warrants that the Product, when delivered to Licensee, shall be free from material defects and shall conform to the program documentation. Licensee acknowledges that the Product is of a complexity that it may have certain defects when delivered. Licensee agrees that the sole liability of Franchisor shall be to correct program errors in the Product, and not to correct problems due to the hardware upon which the Product is operated, interaction with other non-standard software, or incorrect handling or employment of the Product by Licensee. All warranties extend only to the Licensee.

THE ABOVE WARRANTIES ARE IN LIEU OF ALL OTHER WARRANTIES,  
STATUTORY OR OTHERWISE, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED  
TO, ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A  
PARTICULAR PURPOSE.

8. **Limitation of Liability; Limitation of Actions:** FRANCHISOR SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED

TO LOST PROFITS FROM ANY CAUSE ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE PRODUCT, NOR FOR ANY CLAIM OR DEMAND BY OR AGAINST LICENSEE. No action arising out of the transactions under this Agreement may be brought by either party more than one (1) year after the cause of action has occurred. Additionally, any cause of action for improper use, transfer, sub-licensing, or disclosure of the Product or materials may be brought within one (1) year of the date when Franchisor shall have actual knowledge thereof. In the event DUCTZ must institute suit to enforce the terms and conditions of this Agreement, Licensee shall pay reasonable attorneys' fees and costs incurred by DUCTZ.

9. **Termination by Franchisor:** The parties agree that any of the following events shall be considered to be a default under the terms of this Agreement, shall entitle Franchisor to terminate this Agreement, and shall authorize Franchisor to immediately terminate Licensee's access to the Product:
- a. Failure to maintain the Franchise Agreement between Franchisor and Licensee in good standing;
  - b. Failure to make payments of any kind to Franchisor in full or on time;
  - c. Failure to comply with any covenants or agreements herein;
  - d. Licensee's disposing of, licensing, or transferring the Product, other than strictly in accordance with the terms of this Agreement.
  - e. Upon termination of this Agreement, Licensee shall immediately deliver to Franchisor all Products, and copies of Products, and related materials in its possession, and shall not maintain any copies of any of these materials, in whole or part, for itself.
10. **Miscellaneous:** In the event that any part of this Agreement shall be found to be unenforceable, these findings shall not invalidate the other parts of this Agreement. This Agreement expresses the entire understanding of the parties with respect to the subject matter herein, all promises, undertakings, representations, agreements and arrangements with reference to the subject matter of this Agreement. This Agreement shall be construed in accordance with the laws of the State of Michigan, and shall be deemed to have been made in the State of Michigan. This Agreement may not be modified, except by a written agreement signed by Franchisor and Licensee.

**FRANCHISOR**

**LICENSEE**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT D  
TO THE FRANCHISE AGREEMENT**

**TELEPHONE AND OTHER LISTING AGREEMENT**

In accordance with the terms of the Franchise Agreement between DUCTZ INTERNATIONAL, LLC (“FRANCHISOR”), a Michigan Limited Liability Company, and \_\_\_\_\_ (“FRANCHISEE”) signed concurrently with this Agreement, under which FRANCHISOR granted FRANCHISEE the right to own and operate a franchised business (the “Franchised Business”), FRANCHISEE, for value received, hereby agrees with FRANCHISOR that all of FRANCHISEE’S right, title, and interest in and to those certain telephone numbers and regular, classified, or other telephone directory listings, domain names, internet directory listings or rights and/or URLs (collectively, the “Telephone Numbers and Listings”) associated with FRANCHISOR’S trade and service marks and used periodically in connection with the operation of the Franchised Business, shall be promptly transferred to the FRANCHISOR, upon termination or expiration of the Franchise Agreement.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), it is agreed and acknowledged that as between FRANCHISOR and FRANCHISEE, title or interest in the Telephone Numbers and Listings, directly or indirectly, will be assigned to the FRANCHISOR. Further, the FRANCHISEE will not seek to utilize, directly or indirectly, call forwarding messages of any nature, or otherwise seek to take advantage of the goodwill and/or marketing advantage associated with the Telephone Numbers and Listings. It is further agreed and understood, FRANCHISEE will remain liable to the telephone company or other vendor for all past due fees owing to the telephone company or other vendor on or before the effective date of the cancellation hereunder.

FRANCHISEE appoints FRANCHISOR as FRANCHISEE’S true and lawful attorney-in-fact to direct the Telephone Company or other vendor to assign the Telephone Number and Listings, and sign any necessary documents and take any actions as may be necessary to effectuate the assumption.

The parties further agree that if the telephone company or other vendor requires that the parties sign any change forms or other documentation at the time of transfer, FRANCHISOR’S execution of the forms or documentation will effectuate FRANCHISEE’S consent and agreement to the change. The parties finally agree they will perform these acts and sign and deliver the documents as may be necessary to assist in or accomplish the transfer described herein, upon termination or expiration of the Franchise Agreement.

**FRANCHISOR**  
**DUCTZ INTERNATIONAL, LLC**

**FRANCHISEE**  
**[FRANCHISEE ENTITY/NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT E**  
**TO THE FRANCHISE AGREEMENT**  
**STATE ADDENDA TO THE FRANCHISE AGREEMENT**

A-1-E-1

## **ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN CALIFORNIA**

This is an addendum to the Franchise Agreement between DUCTZ International, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and NAME, (referred to as “you” and “Managing Owner”), residents of the State of STATE, and CORPORATION, a STATE company to be formed or already existing, whose principal address is ADDRESS (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, if there is a conflict between the terms of this Addendum and the terms of your Franchise Agreement, the terms of this Addendum shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledges by each of the parties signing below, it is hereby agreed and understood that the following will supersede and replace Section 13.D. of the Franchise Agreement:

### **13.D. COVENANT NOT TO COMPETE.**

You acknowledge and reaffirm that the DUCTZ customer list developed under your Franchise Agreement, is the sole and exclusive proprietary information of DUCTZ International, LLC, and you have no ownership right(s) or any other interest in this customer list except as a DUCTZ franchisee. In the event of any future termination and/or expiration of your franchise agreement with DUCTZ International, LLC, you will not retain, in any form, a copy of this customer list. You further agree not to market to, service or otherwise deal with any customers on the list for residential home duct cleaning for a period of 24 months after the termination and/or expiration of your Franchise Agreement.

It is also agreed and understood that if you sell any one (1) or more of your DUCTZ franchise businesses, as a condition precedent to our approving your purchaser as a new DUCTZ franchisee, you will agree with your purchaser and with us not to compete for 24 months after the sale closing, in the HVAC cleaning and restoration business within a geographic area extending out from the purchased DUCTZ territory boundaries, in every direction, for 50 miles. Provided, however, these non-competition provisions do not create or imply any additional restrictions upon your ownership of other DUCTZ franchise business(es) in and around this geographic area.

The terms of this Addendum shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

In all other respects, the terms and conditions contained in your original Franchise Agreement, and any previous addendums to your Franchise Agreement, remain in full force and effect. Further this it to confirm that we have made no other promises or commitments of any nature concerning this or any other aspect of your franchise business that have not been set forth in writing, and any future promises, commitments or assurances must be in writing and signed by both of us, to be enforceable.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_



## **ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN ILLINOIS**

This is a Rider to the [Date] Franchise Agreement, which is being executed concurrently with this Rider, between DUCTZ International, LLC a Michigan Corporation, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and [Legal Name 1] and [Legal Name 2] (referred to as “you” and “Managing Owner”), residents of the State of [State] and a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, (Ill. Comp. Stat. §§ 705/1 to 705/44), the parties to the DUCTZ International, LLC Franchise Agreement (the “Agreement”) agree as follows:

### **1. Background**

We and you are parties to that certain Agreement dated \_\_\_\_\_, 20\_\_\_\_ that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for franchise you will operate under the Agreement was made in the State of Illinois and you will operate the Franchise in the State of Illinois and/or (b) you are a resident of the State of Illinois.

### **2. Dispute Resolution Procedures**

Section 15.F. entitled “Dispute Resolution Procedures” is superseded and replaced by the following:

Subject to Section 15.F., Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

### **3. Choice of Law**

Section 15.H. entitled “Choice of Law” is superseded and replaced by the following:

Except to the extent governed the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 ET SEQ.) or Federal Law, and except for claims arising under the Illinois Franchise Disclosure Act, this Agreement, the Franchise and all claims arising from the relationship between us and you will be governed by the laws of the State of Illinois.

### **4. Limitation of Claims**

The following is added to the beginning of Section 15.K. of the Agreement, entitled “Limitations of Claims

“Except for claims arising under the Illinois Franchise Disclosure Act, and...”

### **5. Illinois Franchise Disclosure Act**

The following language is added to Section 15.M. of the Agreement:

15.M. Illinois Franchise Disclosure Act. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any law of the State of Illinois is void.”

**6. Your Affirmations**

Section 17 of the Franchise Agreement.

(a) The second affirmation, beginning with the phase “We have not made” is hereby amended to read as follows:

“We ask that, before you execute this Agreement, you bring to our attention any statements or representations that have been made to you by any of our officers, directors, employees, or agents that are contrary to or inconsistent with the statements made in the DUCTZ Franchise Disclosure Document you received or the provisions of this Agreement.”

(b) The ninth affirmation, beginning with the phrase, “We may sell our assets,” the following is deleted:

“...you specifically waive any claims, demands, or damages arising from or related to the loss of said Marks (or any variations of them) and/or the loss of association with or identification of DUCTZ International, LLC as the FRANCHISOR of this Agreement.”

**7. Agreements/Releases.**

Each provision of this Rider shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Rider.

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

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN MARYLAND**

The parties to this Rider are DUCTZ INTERNATIONAL, LLC (“we”, “us” or “FRANCHISOR”), a Michigan Limited Liability Company, and «Legal\_Name» (“you” or “FRANCHISEE”). The parties to the attached Franchise Agreement (the “Agreement”) agree as follows:

1. Background:

We and you are parties to that certain Agreement dated \_\_\_\_\_, 20\_\_ that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for the DUCTZ franchise you will operate under the Agreement was made in the State of Maryland and you will operate the Franchise in the State of Maryland and/or (b) you are a resident of the State of Maryland.

2. Intentionally Deleted.

3. Expiration of this Agreement:

Pursuant to COMAR 02.02.08.16L, the following is added at the end of Sections 10.B.8, 11.C., and 12.A. of the Agreement:

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.

4. Enforcement:

The following is added at the end of Section 15.F. and 15.K. of the Agreement:

Any limitation of claims provisions shall not act to reduce the three (3) year statute of limitations afforded a franchisee for bringing a claim arising 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.

5. Dispute Resolution Procedures:

Pursuant to Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, the following is added at the end of Sections 15.F. and 15.H. of the Agreement:

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Acknowledgment:

Pursuant to Section 14-226 of the Maryland Franchise Registration and Disclosure Law The following is added at the end of Section 17 of the Agreement and to the Franchise Disclosure Questionnaire: The representations, acknowledgements and affirmations in the preceding section are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Act.

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

The Franchisee Disclosure Questionnaire attached as Exhibit I to the FDD is not to be signed if the franchisee resides within or if the franchised business will be located within the State of Maryland.

7. Sections 17 and 18 of the Franchise Agreement. The following language shall be deleted in their entirety:

\_\_\_ \_\_\_ We have not made, nor have you relied on, any representation as to the past or future sales, volume or potential profitability, earnings or income of the DUCTZ Business, or any other DUCTZ Business, other than the information provided in our franchise disclosure document.

\_\_\_ \_\_\_ You have had the opportunity, and have been encouraged by us, to independently investigate and analyze both the DUCTZ franchise opportunity and the terms and provisions of this Agreement by contacting any and all of our Owners and by utilizing the services of attorneys, accountants, or other advisors as you deem to be necessary.

\_\_\_ \_\_\_ You are not relying on any representation or statement that we have made, regarding the anticipated income, earnings and growth of DUCTZ, the System, or the viability of the DUCTZ franchise opportunity.

\_\_\_ \_\_\_ Like any other business, the nature of the business conducted by DUCTZ Businesses may, and probably will, evolve over time.

\_\_\_ \_\_\_ Your abilities and efforts are vital to the success of the DUCTZ Business.

\_\_\_ \_\_\_ Continually securing new Customers is necessary to the DUCTZ Business and requires you to make consistent and repeated marketing and advertising efforts through a variety of mediums.

\_\_\_ \_\_\_ All information that you have set forth in any and all applications, financial statements, and submissions to us is true, complete, and accurate in all respects, and you expressly acknowledge that we are relying upon the truthfulness, completeness, and accuracy of this information.

YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF THAT HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.

THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF OUR FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR YOUR PAYMENT OF ANY MONIES TO US, REFUNDABLE OR OTHERWISE.

YOU ACKNOWLEDGE THAT WE HAVE RECOMMENDED, AND THAT YOU HAVE HAD THE OPPORTUNITY TO OBTAIN, REVIEW THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT BY YOUR LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

A-1-E-7

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN MINNESOTA**

This is a Rider to the [Date] Franchise Agreement, (the “Agreement”) which is being executed concurrently with this Rider, between DUCTZ International, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and [Legal Name 1] and [Legal Name 2] (referred to as “you” and “Managing Owner”), residents of the State of [State] and [LLC or Corp Name], a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. 80C.01 through 80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rule 2860.0100 through 2860.9930, the parties to the attached DUCTZ International, LLC Franchise Agreement (the “Agreement”) agree as follows:

Background. We and you are parties to that certain Franchise Agreement that has been executed concurrently with the execution of this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Agreement.

This Rider is being executed because (a) the offer or sale of the franchise for the DUCTZ franchise you will operate under the Agreement was made in the State of Minnesota and you will operate the Franchise in the State of Minnesota and/or (b) you are a resident of the State of Minnesota.

Marks. The following language is added at the end of Section 4 of the Agreement:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights that you have to use our proprietary rights, including your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suite or demand regarding the use of the name.

Termination by Franchisor. The following language is added to Section 12.B of the Agreement:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the franchise agreement.

Waiver of Punitive Damages and Jury Trial. The following is added to Section 15.I, of the Agreement:

Minn. Rule 2860.4400J. prohibits the waiver of a jury trial.

Limitations of Claims. The following is added to Section 15.K. of the Agreement:

Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three (3) years after the cause of action occurs.

Dispute Resolution Procedures/Governing Law. The following language is added to Sections 15.F and 15.H. of the Agreement:

PURSUANT TO MINN. STAT. 80C.21 AND MINN. RULE 2860.4400J, THESE SECTIONS SHALL NOT IN ANY WAY ABROGATE OR REDUCE YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES 1984, CHAPTER 80C, INCLUDING THE RIGHT TO SUBMIT MATTERS TO THE JURISDICTION OF THE COURTS OF MINNESOTA.

Agreements/Releases. The following language is added to Section 11.C.:

Provided; however, that such general releases do not apply to the extent prohibited by applicable law with respect to claims which arise under Minn. Rule 2860.4400D.

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

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN NEW YORK**

This is a Rider to the [Date] Franchise Agreement, (the “Agreement”) which is being executed concurrently with this Rider, between DUCTZ International , LLC, a Michigan Limited Liability Company with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and [Legal Name 1] and [Legal Name 2] (referred to as “you” and “Managing Owner”), residents of the State of [State] and [LLC or Corp Name], a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as “you,” “your” or “Franchisee”).

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 C OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.



D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN NORTH DAKOTA**

This is a Rider to the [Date] Franchise Agreement, (the “Agreement”) which is being executed concurrently with this Rider, between DUCTZ International, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and [Legal Name 1] and [Legal Name 2] (referred to as “you” and “Managing Owner”), residents of the State of [State] and [LLC or Corp Name], a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

### **1. BACKGROUND.**

We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the DUCTZ Business that you will operate under the Franchise Agreement was made in the State of North Dakota, and/or (b) you are a resident of North Dakota and your Business will be located or operated in North Dakota.

### **2. AGREEMENTS/RELEASES.**

Sections 10.B.8, 11.C and 12.A. of the Franchise Agreement are amended by adding the following:

“Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent otherwise prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law.”

### **3. COVENANT NOT TO COMPETE.**

Section 13.D of the Franchise Agreement is amended by adding the following:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota, and will be subject to Section 9-08-06, N.D.C.C. However, you acknowledge and agree that we intend to seek enforcement of these provisions to the extent allowed under the law.”

### **4. GOVERNING LAW.**

The following is added to the end of Section 15.H. of the Franchise Agreement:

“except as otherwise required by North Dakota law.”

### **5. DISPUTE RESOLUTION PROCEDURES.**

Section 15.F. of the Franchise Agreement is amended by adding the following language:

“Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to Franchisee’s dispute resolution obligations, Franchisee may bring an arbitration or litigation, where permissible, in North Dakota, for claims arising under the North Dakota Franchise Investment Law.”

6. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

To the extent required by the North Dakota Franchise Investment Law, the following paragraph is deleted from Section 15.I. of the Franchise Agreement.

“You and we irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us.”

7. LIMITATIONS OF CLAIMS.

Section 15.K. of the Franchise Agreement is amended by adding the following:

“The time limitations set forth in this subsection might be modified by the North Dakota Franchise Investment Law.”

In all other respects, the terms and conditions contained in your Franchise Agreement, and any previous Addendums to your Franchise Agreement, remain in effect.

8. LIQUIDATED DAMAGES. Section 12D of the Franchise Agreement shall not apply to Franchisee, to the extent such application is contrary to Section 51-19-09 N.D.C.C.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, DISCLOSURE ACKNOWLEDGMENT QUESTIONNAIRE, AND RELATED AGREEMENTS

This is a Rider to the [Date] Franchise Agreement, (the “Agreement”) which is being executed concurrently with this rider, between DUCTZ International, LLC, a Michigan Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan. (referred to as “we” or “Franchisor”), and [Legal Name1] and [Legal Name 2](referred to as the “Managing Owner”), residents of the State of [State], and [LLC or Corp Name] a [State] company to be formed or already existing, whose principal address is [Address] (referred to as “you,” “your” or “Franchisee”).

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

2. 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.

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

4. 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.

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

6. 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.

7. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT F  
TO THE FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS TRANSFER (EFT) AUTHORIZATION  
AUTOMATIC DEBIT OF AMOUNT DUE TO FRANCHISOR**

Ductz International, LLC (“DUCTZ”) is hereby authorized to charge the below account, owned by the below identified Franchisee by way of Automated Clearing House (“ACH”) debit for the amount due DUCTZ by Franchisee pursuant to the terms of the Franchise Agreement signed by and between DUCTZ and Franchisee, for the week preceding the debit (the “Due Date”). As the amount due DUCTZ may vary on each Due Date, DUCTZ is authorized to transfer amounts from Franchisee’s Account, which amounts are subject to change, without prior notice to Franchisee.

Franchisee may terminate this authorization by giving notice not less than three (3) days’ notice to DUCTZ International, LLC in writing to DUCTZ International, LLC, Attn: Controller, at 731 Fairfield Court, Ann Arbor, MI 48108.

Both DUCTZ and Franchisee agree to be bound by the operating rules of the National Automated Clearing House Association (“NACHA”).

**Franchisee Bank Information**

Bank Name	
Bank Address	
Account Name	
ABA Routing Number	
Account Number	

**FRANCHISEE**

[Insert entity name]

By: \_\_\_\_\_  
[insert name of signatory]

Date: \_\_\_\_\_

**EXHIBIT G  
TO THE FRANCHISE AGREEMENT**

**DUCTZ INTERNATIONAL, LLC  
FRANCHISE AGREEMENT  
PERSONAL GUARANTY AND GUARANTY OF SPOUSES**

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE'S SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING.

**ARTICLE I  
PERSONAL GUARANTY**

The undersigned persons (individually and collectively "you") hereby represent to DUCTZ International, LLC ("Franchisor") that you are all of the shareholders of, or all of the general partners of, or all of the members and managers of, or the spouse of any such shareholder, general partner, or member or manager of \_\_\_\_\_ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to the Franchisee as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition of the aforesaid Franchise Agreement.

**ARTICLE II  
CONFIDENTIALITY**

During the term of this Agreement, you will receive information which Franchisor considers a trade secret and confidential information ("Confidential Information"). You will not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information including, without limitation, operating procedures, customer lists, sources of supply, supplier contracts, advertising materials, copyrighted materials, equipment specifications, any information contained in the Operations Manual, trade secrets, the Proprietary Recipes, copyrighted materials, and other methods, techniques and know-how concerning the operation of the Franchised Business which may be communicated to you or of which you may be apprised by virtue of your relationship with Franchisee and role as a Guarantor of the Franchise Agreement.

**ARTICLE III  
NON-COMPETITION**

- 1) **During the Term of the Franchise Agreement.** During the term of this Franchise Agreement, you shall not:
  - a. Engage as an owner, partner, shareholder, director, officer, employee, consultant, agent, or in any other capacity in any other business offering air HVAC cleaning and restoration services that are the

same as or similar to the services sold by the DUCTZ Business (except for other franchises or authorizations we enter into with you;

- b. Use our Confidential Information, System, DUCTZ' owners' intranet website, Operations Manual, Marks, Customer lists, Customer Information, trade secrets, trade dress, proprietary knowledge, or know-how, or any colorable imitations, in the design, development, or operation of any business other than the DUCTZ Business franchised hereunder, unless specifically authorized by us; or
  - c. Divert or attempt to divert any business or customer of the DUCTZ Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated the Marks or the System.
- 2) **After the Term of the Franchise Agreement.** For a period of 18 months from the time of expiration or termination of this Agreement, you and your owners and, if applicable, your Designated General Manager, shall not: (a) engage as an owner, shareholder, partner, director, officer, employee, consultant, salesperson, representative, or agent or in any other capacity in any air HVAC cleaning and restoration services, (b) solicit business from Customers of your former DUCTZ Business or contact any of our supplies or vendors for any competitive business purpose, or (c) divert or attempt to divert any business or Customer of the DUCTZ Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System or engage in any business relationship with any contacts with Customers or former Customers of the DUCTZ Business, whether respect to collection of accounts receivable, or to provide them services, or for any other purpose whatever, within:
- a. The Territory defined in the Franchise Agreement;
  - b. The geographic area encompassed by the Territories of any DUCTZ franchisees, Company Stores, or any other DUCTZ business operator, as of the date of the termination or expiration of the Franchise Agreement; or
  - c. A geographic area that is contained in a circle having a radius of 50 miles outward from the outside boundary of the Territory as defined in the Franchise Agreement.
- 3) **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein will not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor will be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article III will be tolled during any default under this Personal Guaranty.

#### **ARTICLE IV DISPUTE RESOLUTION**

- 1) **Acknowledgment.** You acknowledge that this Personal Guaranty is not a franchise agreement and does not

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confer upon you any rights to use the Franchisor's Proprietary Marks or its system.

- 2) **Governing Law.** This Personal Guaranty will be deemed to have been made in and governed by the laws of the State of Michigan (without reference to its conflict of laws principals).
- 3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first will survive the termination or expiration of this Agreement.
- 4) **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor arising out of, or in any way relating to, this Personal Guaranty or the Franchise Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to non-binding mediation, in Ann Arbor, Michigan under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and the parties will share the cost of mediator. This agreement to mediate at our option will survive the termination or expiration of the Franchise Agreement.
  - a) The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section IV if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):
    - (1) Any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;
    - (2) Any claims arising out of or pertaining to any warranty issued; or
    - (3) Any of the restrictive covenants contained in this agreement.
- 5) **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the Franchise Agreement and this Personal Guaranty, and the mediation provisions contained herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by you.
- 6) **Injunctive Relief.** Nothing contained in this Personal Guaranty will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation or judicial proceeding conducted hereunder.
- 7) **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties expressly agree to submit to the jurisdiction and venue of any court of general jurisdiction in Washtenaw County, Michigan and the jurisdiction and venue of the United States District Court presiding over Ann Arbor, Michigan.
- 8) **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION,

PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY GOODS OR SERVICES.

- 9) **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) that you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery will be limited to actual damages. If any other term of this Personal Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.
- 10) **Limitation on Action.** You agree that no cause of action arising out of or under this Personal Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense or set-off.
- 11) **Attorneys' Fees.** If either party institutes any mediation action or judicial proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Personal Guaranty and the Franchise Agreement, and Franchisor prevails in such action, you will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.
- 12) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Personal Guaranty will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.
- 13) **Severability.** The parties agree that if any provisions of this Personal Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Personal Guaranty will be construed according to fair meaning and not strictly construed against either party. The provisions of this Personal Guaranty are severable, and this Personal Guaranty will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Personal Guaranty will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Personal Guaranty.
- 14) **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Personal Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Personal Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Personal Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.
- 15) **Successors.** References to "Franchisor" or "the undersigned," or "you" include the respective parties'

successors, assigns or transferees.

16) **No Personal Liability.** You agree that fulfillment of any and all of Franchisor's obligations written in this Personal Guaranty or in the Franchise Agreement or based on any oral communications that may be ruled to be binding in a court of law will be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company will be personally liable to Franchisee or you for any reason.

**PERSONAL GUARANTOR(S)**

**SPOUSE(S)**

\_\_\_\_\_

\_\_\_\_\_

**Name:**

**Personal Email Address:**

**Personal Address**

**Personal Telephone Number**

\_\_\_\_\_

\_\_\_\_\_

**Name:**

**Personal Email Address:**

**Personal Address**

**Personal Telephone Number**

**EXHIBIT H  
TO THE FRANCHISE AGREEMENT**

**CONVERSION ADDENDUM**

ADDENDUM  
TO THE FRANCHISE AGREEMENT(S) BETWEEN  
DUCTZ INTERNATIONAL, LLC  
AND  
\_\_\_\_\_

**DATED** \_\_\_\_\_

This is an Addendum to the Franchise Agreement(s), which is being signed concurrently with this Addendum, between DUCTZ International, LLC, a Delaware Limited Liability Company, with its principal place of business at 731 Fairfield Court, Ann Arbor, Michigan 48108 (referred to in this Addendum as “we,” “us,” “ourselves” and “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ company, whose principal address is \_\_\_\_\_ (referred to in this Addendum as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement(s), in the event of a conflict between the terms of this Addendum and the terms of the Franchise Agreement(s), the terms of this Addendum shall control and supersede the Franchise Agreement(s). Any terms not defined herein shall have the same meanings as in the Franchise Agreement(s) and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement(s) unless stated otherwise.

**WITNESSETH:**

**WHEREAS,** \_\_\_\_\_ (“Converting Company”) is an existing company operating in the State of \_\_\_\_\_, performing HVAC cleaning and restoration services for residential and commercial dwellings and buildings or performing installation, repair, and cleaning, of residential or commercial dryer or exhaust vent, and any other services performed by DUCTZ franchisees (the “Business”).

**WHEREAS,** Converting Company wishes to convert its existing business to the DUCTZ franchise model, under the following terms and conditions as set forth below.

**NOW, THEREFORE,** for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledges by each of the parties signing below, it is hereby agreed and understood as follows:

1. **Initial Franchise Fee.** The following language shall hereby supersede and replace the first paragraph of Section 2.A of the Franchise Agreement(s):

You promise to pay us a total initial fee (the “Initial Franchise Fee”) in the amount of \$\_\_\_\_\_ for a population of up to \_\_\_\_\_ within the Territory, as described in this Section of this Addendum.

2. **Initial Package Fee.** The following language shall hereby supersede and replace the first paragraph of Section 2.B of the Franchise Agreement(s):

The Initial Package Fee is \_\_\_\_\_.

3. **Conversion Requirements.**

Within three (3) months from the date of execution of the Franchise Agreement(s) or Franchisee’s completion of the Business Manager and Technical Operations Training Program, whichever occurs first, Franchisee agrees to complete the following conversion requirements:

**Business Vehicles.** You agree to re-brand all business vehicles utilizing our approved vendors to conform to the DUCTZ model appearance standards.

**Global Positioning System.** You agree to purchase and install a global positioning system (“GPS”) device in all service vehicles as required pursuant to Section 7.A.21 of the Franchise Agreement(s).

**Websites.** You agree to transfer all Converting Company websites (the “Websites”) to the DUCTZ website or another website we designate. The Websites include but are not limited to the following: \_\_\_\_\_.

**Telephone Numbers.** The telephone number(s) listed below are to be forwarded to the DUCTZ call center or a local number that we designate. All advertising for the Business will consist only of the DUCTZ number or the local number designated by us.

**Media Accounts.** You agree to transfer all social media accounts utilized by the Converting Company to DUCTZ.

\* \* \*

**The terms of this ADDENDUM shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.** In all other respects, the terms and conditions contained in your original Franchise Agreement(s), and any previous Amendments to your Franchise Agreement(s), remain in full force and effect. Further this it to confirm that we have made no other promises or commitments of any nature concerning this or any other aspect of your franchise business that have not been set forth in writing.

*SIGNATURES APPEAR ON THE FOLLOWING PAGE*

DUCTZ International, LLC

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

Rusty Amarante

Its: Authorized Representative

Date: \_\_\_\_\_

FRANCHISEE: Converting Company

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

Its: Authorized Representative

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Its: Authorized Representative

OWNER

\_\_\_\_\_

Date: \_\_\_\_\_

OWNER

\_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT I  
TO THE FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE**

**THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this “Assignment”) is made, entered into and effective on \_\_\_\_\_ (the “Effective Date”) by and between: (i) \_\_\_\_\_ (the “Franchisor”); and (ii) \_\_\_\_\_ (the “Franchisee”).

**BACKGROUND INFORMATION**

The Franchisor entered into that certain Franchise Agreement (the “Franchise Agreement”) dated as of \_\_\_\_\_ with the Franchisee, pursuant to which the Franchisee plans to own and operate a \_\_\_\_\_ franchised business (the “Franchised Business”) located at \_\_\_\_\_ (the “Site”). In addition, pursuant to that certain Lease Agreement (the “Lease”), the Franchisee has leased or will lease certain space containing the Franchised Business described therein from \_\_\_\_\_ (the “Lessor”). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

**OPERATIVE TERMS**

The Franchisor and the Franchisee agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information set forth above.
2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Franchise Agreement.
3. **Indemnification of Franchisor:** Franchisee agrees to indemnify and hold Franchisor and its parents, affiliates, stockholders, directors, officers, principals, franchisees/licensees and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
4. **Conditional Assignment:** Franchisee hereby grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory, equipment, and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee’s rights, title and interest in and to the Lease as

conditional for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of the Franchisee's breach of the Lease, then such payment by the Franchisor, or such breach or default by the Franchisee, shall at Franchisor's option be deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination**: Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms of the Lease without such written consent is null and void.

6. **Exercise of Remedies**: In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

- a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;
- b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;
- c) to exclude the Franchisee, its agents or employees from the Site;



d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;

f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and

g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any).

The parties agree and acknowledge that Franchisor is not required to assume the Lease, take possession of the Site or otherwise exercise of its other rights described in this Assignment. In the event Franchisor elects to exercise its right to assume the Lease and/or take possession of the Site, it will provide written notice to Franchisee in writing and undertake the other necessary actions at issue. Nothing in this Assignment may be construed to impose an affirmative obligation on the part of Franchisor to exercise any of the rights set forth herein.

7. **Power of Attorney:** Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in

the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies. Franchisor is not required to exercise any of its rights set forth in Section 6 hereof, but shall have the irrevocable right to do so.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words “Franchisor” and “Franchisee” when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys’ Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys’ fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing party.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

**IN WITNESS WHEREOF**, the Parties have caused this Assignment to be executed as of the day and year first above written.

FRANCHISEE

FRANCHISOR

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

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

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

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

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

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

**The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.**

LESSOR

\_\_\_\_\_

EXHIBIT A-2

**TO THE FRANCHISE DISCLOSURE DOCUMENT**

**PROMISSORY NOTE**

FOR VALUE RECEIVED, \_\_\_\_\_ and \_\_\_\_\_ (collectively, the “Undersigned”) promises to pay to the order of **Ductz International, LLC**, a Michigan Limited Liability Company, at 731 Fairfield Court, Ann Arbor, Michigan 48108 (the “Holder”), the principal sum of \$\_\_\_\_\_ together with interest at a rate of an annual percentage rate of nine percent (9%) for up to thirty-six (36) months. The principal and interest shall be paid in equal monthly installments as stated in the payment schedule attached to this Promissory Note as Exhibit “1”, which is made a part of this. The first installment shall be due via Electronic Funds Transfer (“EFT”) on the first of the month following the successful completion of the training required under the franchise agreement between Holder and the Undersigned, and thereafter monthly installments will be due via EFT on the first day of each successive month until the principal and interest due under this Promissory Note have been paid in full. **PROVIDED, HOWEVER**, that the entire principal balance together with all accrued interest thereon shall be due and payable on or before 36 months following the payment of the first installment, anything here in this Agreement to the contrary notwithstanding. After maturity of this Promissory Note (whether by acceleration or otherwise), Holder shall have the right to collect all payments, together with all accrued interest and late fees, due.

Monthly installments shall be applied first upon interest and the balance upon principal. This Promissory Note may be prepaid in full at any time without restriction or penalty.

Should any monthly installment not be paid when due, then Holder shall have the right to either (a) collect a late fee of 5% or \$50, per week, whichever sum is greater, or (b) demand that the whole sum of the remaining principal and interest is immediately due and payable without notice or demand to the Undersigned. All unpaid amounts owing on this Promissory Note shall immediately become due and payable at the option of Holder without notice or demand upon the occurrence of any of the following events of default: (i) the default of any provision of the Promissory Note; or (ii) the death, dissolution, insolvency (however expressed or indicated) or the filing of a petition in bankruptcy, reorganization or for the adjustment of debts for, by or against the Undersigned; (iii) the sale of substantially all of the Undersigned’s stock or assets; (iv) the Undersigned’s failure to permit Holder to collect amounts via EFT.

The Undersigned hereby waives presentation for payment, demand, notice of non-payment, protest, and all other demands and notices required by law (statutory or otherwise). In the event that the undersigned should default under this Promissory Note, and legal proceedings are commenced to collect the indebtedness evidenced hereby, the undersigned agrees to pay all costs and expenses, including reasonable attorney fees, incurred in the collection of this Promissory Note.

Should the undersigned transfer or assign their franchise rights to a third party prior to the pay-off of this Promissory Note, said Promissory Note must be paid in full before Holder will approve such transfer or assignment.

The validity, construction, interpretation and enforceability of the terms of this Promissory Note shall be determined and governed by the laws of the State of Michigan.

The Undersigned hereby confirms that the proceeds of this Promissory Note will be used for the business purpose of starting up a DUCTZ franchised business.

It is the parties' intent that the provisions of this Promissory Note be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the provisions contained here in this Promissory Note shall not render any other part unenforceable.

Holder's failure to enforce any rights granted to it under this Promissory Note will not constitute a waiver of such rights.

This Promissory Note is binding upon and will insure to the benefit of the parties and their successors, heirs, and assigns.

The persons executing this Note on behalf of the Undersigned acknowledge their authority to do so.

**I HAVE READ THE ABOVE NOTE AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS NOTE IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

As provided in this Franchise Agreement this Promissory Note is personally guaranteed by \_\_\_\_\_.

**HOLDER**

**UNDERSIGNED**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**[FRANCHISEE NAME]**

\_\_\_\_\_  
[NAME], Individually

EXHIBIT A-3  
**TO THE FRANCHISE DISCLOSURE DOCUMENT  
CONFIDENTIALITY/NON-DISCLOSURE AGREEMENT**

With respect to determining the feasibility of whether or not to purchase a DUCTZ franchise, DUCTZ International, LLC, is prepared to provide you with certain financial, business, marketing, and operational information concerning the business operations of DUCTZ International, LLC.

We are able to provide you this Information with your explicit understanding and agreement that you recognize and agree that this information is confidential and valuable, and that this information constitutes special and unique proprietary rights and assets of DUCTZ International, LLC.

The term “Confidential Information” shall mean and include any and all information disclosed by us to you relating to the DUCTZ business and potential trade name and internet web names, whether copyrighted or patented. Provided; however, Confidential Information shall not include information which:

- A. Is disclosed to you following the date of this Agreement by a third party who is not under an obligation to keep the information confidential;
- B. Is or becomes publicly disclosed through no act or omission of yours; and/or
- C. Information previously known by you prior to contact with DUCTZ.

In accepting this Information, you agree that you will not disclose it to any third party or make use of it yourself, in any regard, with the exception that it may disclosed to an attorney, accountant or business consultant that you utilize as part of your due diligence process, provided you assure they are informed of and comply with all the terms of this Confidentiality and Non-Disclosure Agreement.

You further agree to maintain the confidentiality of any and all confidential information which has been provided to you in a manner using at least the same degree of care as the manner used to maintain the confidentiality of your most confidential information.

In the event that you do not purchase a DUCTZ business, or upon our request at any time, you agree to return all materials furnished to you or to certify in writing that such information has been destroyed.

You further recognize that breach of this Confidentiality and Non-Disclosure Agreement by you will cause severe and irreparable damage to DUCTZ International, LLC, and that DUCTZ International, LLC, may pursue all of its rights and remedies after any breach, including specific performance.

Please indicate that you agree to the conditions, as stated above, under which confidential information will be furnished to you by signing a copy of this letter in the space provided below.

**ACKNOWLEDGED:**

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

Date: \_\_\_\_\_

EXHIBIT A-4  
TO THE FRANCHISE DISCLOSURE DOCUMENT

**GENERAL RELEASE – RENEWAL**

**THIS SETTLEMENT AND RELEASE** is being made by and between DUCTZ INTERNATIONAL, LLC (“FRANCHISOR”) and [Name] (together referred to as the “OWNER” and/or “you”) resident of [State], and [Corp/LLC,] (“Franchisee”) and shall be effective as of the date of the last signature below.

**W I T N E S S E T H:**

**WHEREAS**, FRANCHISOR and OWNER(S) entered into Franchise Agreement on the [date] (the “Franchise Agreements”) for the operation of a DUCTZ business in a defined territory(s) in the state of [State] (the “Business”), which Franchise Agreements is being renewed;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by and between each of the parties, it is agreed and understood as follows:

1. OWNER(S) and FRANCHISOR have agreed upon new renewal Franchise Agreements, to be executed contemporaneously with this Release, which will replace your original Franchise Agreements, thus continuing OWNER(S) rights to operate a DUCTZ business within a Territory, as defined in the Franchise Agreement in the State of [State].

2. In reliance upon the execution of renewal Franchise Agreements, the OWNERS(s) and FRANCHISEE agree to the following releases:

A. OWNER(S) and FRANCHISEE, for themselves and for their employees, agents, heirs, successor and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interest of OWNER(S) and/or FRANCHISEE, hereby releases, acquits, and forever discharges FRANCHISOR and its directors, officers, shareholders, employees, agents, legal representatives, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses and suits whatsoever and of every conceivable kind, character, and nature, whether absolute or contingent, and whether known or unknown, which either party may have against the other, by reason of, or arising out of, or in any way related to any acts or omissions of the other party occurring prior to the date of this Release.

B. **[CALIFORNIA ONLY]** Except as set forth herein, FRANCHISOR, OWNER(S) and FRANCHISEE expressly waives and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California (“Section 1542”), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT.”

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, FRANCHISOR, OWNER(S) and FRANCHISEE expressly acknowledge that this Agreement is intended to include in its effect without limitation, all claims described in this paragraph which FRANCHISOR, OWNER and/or FRANCHISEE does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

3. Any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises made by the parties herein or with regard to the interpretation, formation, or breach of this Release, shall be litigated exclusively in the courts of general jurisdiction of Washtenaw County, Michigan or the United States District Court presiding over Ann Arbor, Michigan.

4. Both parties acknowledges and agree that money damages will not be a sufficient remedy for any breach of this provision and that either party shall be entitled to specific performance as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy, but shall be in addition to all other remedies available at law or equity to the party. In the event of any litigation to enforce any of the terms of this Release, the unsuccessful party shall pay the costs and attorneys' fees of the successful party.

5. Neither this Release nor any provision of this Release can be modified or waived in any way, except by an agreement in writing signed by each of the parties hereto, consenting to such modification or waiver.

6. All parties hereto do hereby acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Release, and that they have executed this Release with the consent and upon the advice of said independent counsel.

7. This Release may be signed in two (2) or more counterparts, and will be effective when all the parties and signatories have affixed their signatures to two (2) or more of the counterparts and they have been delivered as aforesaid, at which time the counterparts together will be deemed one (1) original document.

8. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

9. This Agreement contains the entire agreement between the parties hereto concerning the resolution of any and all disputes or controversies between or among them.



10. [MARYLAND ONLY] This Release may not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**IN WITNESS WHEREOF**, the parties have caused this Release to be executed as of the day and year written below.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY/NAME]**

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

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

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

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

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

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

**OWNER(S)**

\_\_\_\_\_  
[Name of Owner], Individually

\_\_\_\_\_  
[Name of Owner], Individually

\_\_\_\_\_  
[Name of Owner], Individually

## GENERAL RELEASE – ASSIGNMENT

THIS SETTLEMENT AND RELEASE is being made by and between DUCTZ International, LLC (“FRANCHISOR”) and [Owner Name(s)] (together referred to as the “OWNER(S)”), resident(s) of [State], and [Company] (“Franchisee”) and shall be effective as of the date of the last signature below.

### WITNESSETH:

**WHEREAS**, FRANCHISOR and OWNER(S) entered into a Franchise Agreement on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Franchise Agreement(s)”) for the operation of a DUCTZ business in a defined territory(s) in the state of [State Name(s)], (the “Business”);

**WHEREAS**, FRANCHISOR and OWNER(S) have reached agreement that it is in the best interest of all parties for OWNER(S) to discontinue operations and terminate the Franchise Agreement, upon the terms and conditions specified below, and for the parties to exchange releases;

**NOW THEREFORE**, in consideration of the covenants and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by and between each of the parties, it is agreed and understood as follows:

1. Effective as of the date last signed below, OWNER(S) hereby transfers, sets over and assigns to FRANCHISOR all right, title and interest in and to the Franchise Agreement and agrees to abide by and observe all Post-Termination Obligations and Covenants Not to Compete as set forth in the Franchise Agreement.

2. FRANCHISOR hereby releases OWNER(S) from any future duties and obligations of the Franchise Agreement except those continuing duties and obligations specifically set forth in Paragraph 1 of this Agreement, or identified as a post-termination obligation or a term that survives termination in the Franchise Agreement.

3. The parties hereby agree to the following releases:

A. Except for the obligations of the parties herein contained, OWNER(S) and FRANCHISEE for themselves, and their employees, agents, heirs, successors and assigns, and for every other person, firm, entity, and/or corporation succeeding to the interests of OWNER(S) and/or FRANCHISEE, hereby releases, acquits, and forever discharges FRANCHISOR and its directors, officers, members, shareholders, employees, agents, legal representatives, heirs, successors and assigns, and every other person, firm, entity, and/or corporation succeeding to its interests, from any and all claims, actions, causes of action, demands, costs, losses, expenses, and suits whatsoever and of every conceivable kind, character and nature, whether absolute or contingent and whether known or unknown, which OWNER(S) and/or FRANCHISEE has, has had or may ever have against FRANCHISOR, by reason of, or arising out of, or in any way related to any acts or omissions of the other party prior to the date of this Agreement.

B. **[CALIFORNIA – for use in CA only]** Except as set forth herein, FRANCHISOR, OWNER(S) and FRANCHISEE expressly waives and relinquishes all rights and

benefits afforded by Section 1542 of the Civil Code of the State of California (“Section 1542”), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT.”

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, FRANCHISOR, OWNER(S) and FRANCHISEE expressly acknowledge that this Agreement is intended to include in its effect without limitation, all claims described in this paragraph which FRANCHISOR, OWNER(S) and/or FRANCHISEE does not know or suspect to exist in its favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

4. Any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises made by the parties herein or with regard to the interpretation, formation, or breach of this Release, shall be litigated exclusively in the courts of general jurisdiction of Washtenaw County, Michigan or the United States District Court presiding over Ann Arbor, Michigan.

5. Neither this Release nor any provision of this Release can be modified or waived in any way, except by an agreement in writing signed by each of the parties hereto, consenting to such modification or waiver.

6. All parties hereto do hereby acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Release, and that they have executed this Release with the consent and upon the advice of said independent counsel.

7. This Release may be signed in two (2) or more counterparts, and will be effective when all the parties and signatories have affixed their signatures to two (2) or more of the counterparts and they have been delivered as aforesaid, at which time the counterparts together will be deemed one (1) original document.

8. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws or regulations.

9. This Agreement contains the entire agreement between the parties hereto concerning the resolution of any and all disputes or controversies between or among them.

10. **[MARYLAND – for use in MD only]** This Release may not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

11. **[TRANSFERS – WHEN BUYER IS PAYING IN INSTALLMENTS]** OWNER(S) and Franchisee acknowledge and agree (i) that they negotiated the sale of their franchise to Buyer Company without the assistance, or any other involvement of the Franchisor; (ii) that the purchase price for such sale (the “Purchase Price”) will not be paid in full at closing, but will be paid over a period of time after closing, and (iii) that they are assuming the full risk of

nonpayment of the Purchase Price, OWNER(S) and Franchisee further agree that they will not, in any manner, at any time, under any set of circumstances, seek payment of any portion of the Purchase Price from DUCTZ International, LLC, and/or any of its directors, officers, members, shareholders, employees, agents, representatives, heirs, successors or assigns.

IN WITNESS WHEREOF, the parties have caused this Release to be executed as of the day and year written below.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY/NAME]**

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

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

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

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

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

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

**OWNER(S)**

\_\_\_\_\_  
[Name of Owner], Individually

\_\_\_\_\_  
[Name of Owner], Individually

\_\_\_\_\_  
[Name of Owner], Individually

**EXHIBIT B**  
**TO FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

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# BFG Holdco, Inc.

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**Consolidated Financial Report**  
**December 31, 2023**

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Balance Sheet	3
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## Independent Auditor's Report

To the Board of Directors  
BFG Holdco, Inc.

### **Opinion**

We have audited the consolidated financial statements of BFG Holdco, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, 2022, and 2021 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2023, 2022, and 2021, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, 2022, and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Emphasis of Matters**

As discussed in Note 3 to the consolidated financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the consolidated financial statements, the Company recognized an impairment loss to its goodwill balance during 2023. Our opinion is not modified with respect to this matter.

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

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

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

### **Auditor's Responsibilities for the Audits of the Consolidated Financial Statements**

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



To the Board of Directors  
BFG Holdco, Inc.

In performing audits in accordance with GAAS, we:

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

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

*Plante & Moran, PLLC*

March 22, 2024

## Consolidated Balance Sheet

**December 31, 2023, 2022, and 2021**

	2023	2022	2021
	(As Restated)		
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 3,701	\$ 1,372	\$ 3,467
Restricted cash	781	345	372
Accounts receivable - Net	2,338	3,074	6,331
Inventory (Note 6)	5,683	4,393	2,871
Notes receivable - Current portion net of allowance (Note 7)	639	1,661	3,567
Prepaid expenses and other current assets	625	346	691
Total current assets	13,767	11,191	17,299
<b>Right-of-use Assets - Net</b>	3,098	1,379	2,392
<b>Property and Equipment - Net (Note 8)</b>	2,220	1,701	1,610
<b>Goodwill (Note 9)</b>	10,519	56,056	57,322
<b>Intangible Assets - Net (Note 9)</b>	28,264	32,566	42,516
<b>Other Assets</b>			
Notes receivable - Net of current portion and allowance (Note 7)	1,336	2,747	4,580
Amounts due from related parties (Note 14)	24,688	23,843	16,717
Deferred commissions	871	1,155	1,063
Other noncurrent assets	216	331	459
Total assets	\$ 84,979	\$ 130,969	\$ 143,958
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 203	\$ 855	\$ 1,046
Operating lease obligation - Current portion (Note 10)	1,002	1,145	1,078
Deferred revenue - Current portion	1,305	2,050	2,532
Accrued and other current liabilities:			
Accrued compensation	1,201	1,256	1,661
Other accrued liabilities	2,251	1,678	1,807
Total current liabilities	5,962	6,984	8,124
<b>Operating Lease Obligation - Net of current portion (Note 10)</b>	2,166	425	1,549
<b>Other Long-term Liabilities</b>			
Deferred revenue - Net of current portion	3,202	4,864	6,664
Deferred tax liabilities (Note 11)	3,266	3,001	5,596
Total liabilities	14,596	15,274	21,933
<b>Stockholders' Equity</b>	70,383	115,695	122,025
Total liabilities and stockholders' equity	\$ 84,979	\$ 130,969	\$ 143,958

## Consolidated Statement of Operations

Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
	(As Restated)		
<b>Net Revenue</b>	\$ 31,072	\$ 33,483	\$ 36,232
<b>Cost of Revenue</b>	9,613	9,055	10,700
<b>Gross Profit</b>	21,459	24,428	25,532
<b>Operating Expenses Before Impairment</b>	20,604	27,789	23,079
<b>Impairment of Goodwill</b>	45,537	1,266	-
<b>Impairment of Intangible Assets</b>	-	4,952	-
<b>Operating (Loss) Income</b>	(44,682)	(9,579)	2,453
<b>Nonoperating Income (Expense)</b>			
Interest income	496	1,112	1,465
Loss on disposal of property and equipment	-	-	(27)
Other income	386	268	269
Total nonoperating income	882	1,380	1,707
<b>(Loss) Income - Before income taxes</b>	(43,800)	(8,199)	4,160
<b>Income Tax Expense (Recovery) (Note 11)</b>	477	(1,869)	1,219
<b>Consolidated Net (Loss) Income</b>	\$ (44,277)	\$ (6,330)	\$ 2,941

## Consolidated Statement of Stockholders' Equity

Years Ended December 31, 2023, 2022, and 2021

	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total
<b>Balance</b> - January 1, 2021	\$ 5	\$ 114,238	\$ 4,841	\$ 119,084
Consolidated net income	-	-	2,941	2,941
<b>Balance</b> - December 31, 2021	5	114,238	7,782	122,025
Consolidated net loss	-	-	(6,330)	(6,330)
<b>Balance</b> - December 31, 2022 - As restated	5	114,238	1,452	115,695
Cumulative effect of change in accounting principle (Note 4)	-	-	(1,035)	(1,035)
Consolidated net loss	-	-	(44,277)	(44,277)
<b>Balance</b> - December 31, 2023	<b>\$ 5</b>	<b>\$ 114,238</b>	<b>\$ (43,860)</b>	<b>\$ 70,383</b>

## Consolidated Statement of Cash Flows

**Years Ended December 31, 2023, 2022, and 2021**

	2023	2022	2021
	(As Restated)		
<b>Cash Flows from Operating Activities</b>			
Consolidated net (loss) income	\$ (44,277)	\$ (6,330)	\$ 2,941
Adjustments to reconcile consolidated net (loss) income to net cash from operating activities:			
Depreciation	591	490	443
Amortization of intangible assets	4,380	5,169	5,446
Bad debt expense	627	6,949	2,990
Loss on disposal of property and equipment	-	-	27
Impairment of goodwill	45,537	1,266	-
Impairment of intangible assets	-	4,952	-
Deferred income taxes	265	(2,595)	795
Noncash lease expense	(121)	(44)	100
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable	1	(3,560)	(1,288)
Inventory	(1,289)	(1,523)	(218)
Notes receivable	1,506	3,607	2,550
Prepaid expenses and other assets	(166)	473	(167)
Deferred commissions	284	(92)	(461)
Related party	(845)	(7,126)	(9,756)
Accounts payable	(652)	(191)	(212)
Accrued and other liabilities	518	(534)	595
Deferred revenue	(2,407)	(2,282)	(1,250)
Net cash provided by (used in) operating activities	3,952	(1,371)	2,535
<b>Cash Flows from Investing Activities</b>			
Purchase of property and equipment	(1,109)	(581)	(585)
Payments made for patents and trade names	(78)	(170)	(151)
Proceeds from sale of property and equipment	-	-	24
Net cash used in investing activities	(1,187)	(751)	(712)
<b>Net Increase (Decrease) in Cash</b>	2,765	(2,122)	1,823
<b>Cash - Beginning of year</b>	1,717	3,839	2,016
<b>Cash - End of year</b>	<b>\$ 4,482</b>	<b>\$ 1,717</b>	<b>\$ 3,839</b>
<b>Classification of Cash</b>			
Cash	\$ 3,701	\$ 1,372	\$ 3,467
Restricted cash	781	345	372
Total cash	<b>\$ 4,482</b>	<b>\$ 1,717</b>	<b>\$ 3,839</b>
<b>Supplemental Cash Flow Information - Cash paid for taxes</b>	\$ 185	\$ 161	\$ 69
<b>Significant Noncash Transactions</b>			
Leases entered into	\$ 2,731	\$ -	\$ -
Transfer of property and equipment to related parties	-	-	(147)

## Notes to Consolidated Financial Statements

**December 31, 2023, 2022, and 2021**

**(000s omitted)**

### Note 1 - Nature of Business

BFG Holdco, Inc., with its wholly owned subsidiaries, Chem-Dry, Inc. (Chem-Dry); NHance, Inc. (N-Hance); Delta Disaster Services, LLC d/b/a Delta Restoration Services (DRS); Delta Development Group, LLC (DDG); and Delta Asset Management, LLC (DAM) (together with DRS and DDG, Delta) (collectively, the "Company"), is a wholly owned subsidiary of Belfor USA Group, Inc. BFG Holdco, Inc. was formerly known as HRI Holdings, Inc. until February 13, 2023, when its name was changed to BFG Holdco, Inc. Chem-Dry, Inc. was formerly known as Harris Research, Inc. until February 13, 2023, when its name was changed to Chem-Dry, Inc.

On December 31, 2019, all the outstanding shares of NHance, Inc. were contributed to BFG Holdco, Inc. The transaction qualified as a pooling-of-interests transaction in accordance with accounting principles generally accepted in the United States of America due to common control.

As a result, the consolidated financial statements presented include the activity of NHance, Inc. All of the assets and liabilities have been accounted for at their carryover basis.

A summary of the Company's operations, which are headquartered in Nashville, Tennessee, is as follows:

- Chem-Dry - Markets and services Chem-Dry carpet and upholstery cleaning franchises and provides training, equipment, solutions, and products to its franchisees throughout the United States of America and Canada.
- Delta - Services and trains Delta Restoration Services franchises in the United States of America, which offer commercial and residential property mitigation, remediation, reconstruction, and consulting services, and owns one Delta Restoration Services operation in Colorado. During 2022, Delta ceased operations.
- Devere International, Inc. (Devere), a wholly owned subsidiary of BFG Holdco, Inc. - Sells area franchise rights for specific geographic locations throughout the world (excluding the United States of America) and provides training, equipment, and cleaning supplies to the respective area franchisees.
- Chem-Dry Corporate Services (CDCS), a division of BFG Holdco, Inc. - Secures commercial and insurance work for franchisees in the United States and Canada.
- N-Hance - Markets and services N-Hance wood cleaning, coating, protection, and renewal franchises, including providing training, equipment, and solutions and products to franchise owners in the United States and Canada.

As of December 31, 2023, 2022, and 2021, the Company had the following active franchises throughout the world:

	2023	2022	2021
Chem-Dry carpet upholstery cleaning franchises	1,240	1,388	1,692
Chem-Dry Canada franchises	44	49	60
Devere area franchise rights	22	46	47
N-Hance wood renewal franchises	296	317	383
Delta restoration franchises	-	-	3

### Note 2 - Significant Accounting Policies

#### *Principles of Consolidation*

The accompanying consolidated financial statements reflect the consolidated financial position, operations, stockholders' equity, and cash flows of BFG Holdco, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

## Notes to Consolidated Financial Statements

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December 31, 2023, 2022, and 2021

(000s omitted)

### Note 2 - Significant Accounting Policies (Continued)

#### ***Revenue and Cost Recognition***

Revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Sales-based taxes are excluded from revenue. Goods and services may be transferred to customers either at a point in time or over time, as discussed below. Of the \$31,072, \$33,483, and \$36,232 of revenue recognized from contracts with customers for the years ended December 31, 2023, 2022, and 2021, revenue recognized over time amounted to \$11,642, \$13,455, and \$14,667, respectively, while the remainder was recognized at a point in time.

#### ***Nature of Promises to Transfer***

The Company's revenue streams are described below:

- **Franchise Rights, Royalties, Monthly Franchise Fees, and Other Support Fees** - The Company sells individual franchises that grant the right to service customers within a defined territory using the franchise name. The initial term of franchise agreements is typically 5 to 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid. Additionally, the Company sells master franchises rights in foreign countries with an initial term of typically 10 years, with an option to renew for a fee or transfer the right. The Company has performance obligations to provide franchisees with the franchise rights to service customers, as well as provide customized software, for which a technology fee is charged. Initial franchise fees for each agreement are allocated to each individual franchise and recognized over the term of the respective franchise agreement from the date the agreement is entered. Renewal fees are recognized over the renewal term for the respective franchise from the start of the renewal period. Transfer fees are recognized at the time the transfer occurs. Royalty income and monthly franchise fee income is recognized over the term of the respective franchise agreement as the underlying sales occur. The Company also provides other services for a fee, as outlined in the franchise agreement. The Company has concluded these represent separate single performance obligations. Therefore, revenue is recognized when the support services are performed.
- **Merchandise Revenue** - The Company recognizes revenue from the sale of products, net of sales taxes, when the customer takes ownership of the products sold and assumes the risk of loss. The customer takes ownership and assumes risk of loss at the point of shipping for products other than equipment. Equipment is typically shipped "FOB Destination," and, as such, ownership and risk of loss remain with the Company until the equipment is delivered.

## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

### Note 2 - Significant Accounting Policies (Continued)

- **Corporate Services** - This includes services in connection with securing residential, commercial, and insurance work for franchisees through CDCS through national account relationships in the United States and Canada. Revenue is recognized at the point in time the franchisee completes the work. The Company is the agent in this relationship and recognizes revenue on a net basis.
- **Mitigation and Construction Contracts** - This includes mitigation and construction projects with both residential customers and insurance companies. Generally, the Company will have one performance obligation per contract. These services are transferred over time using the input method to measure progress. The use of the input method results in the recognition of revenue on the basis of the Company's efforts toward the satisfaction of the performance obligation. The most common input method that the Company uses is contract cost to date, including labor and direct costs relative to the total contract cost expected to be expended in satisfying each performance obligation. Contracts are billed on a time and materials basis using the practical expedient to recognize revenue, as the Company has the right to invoice those amounts. Project change orders are economic factors that affect the nature, amount, timing, and uncertainty of the Company's revenue and cash flows. Change orders often arise when unexpected costs to the existing contract are incurred or the customer wants to extend the scope of the project. These rarely create a separate project performance obligation and are accounted for as a modification to the contract price using the cumulative catch-up adjustment method.

In most cases, control of the Company's contracts transfers to customers when performed by the Company. Some services are provided by subcontractors. Except for CDCS, the Company does not act as an agent (i.e., the Company does not provide a service of arranging for another party to transfer goods or services to the customer).

#### **Significant Payment Terms**

Each contract dictates the timing of billing and payments. Initial franchise, renewal, and transfer fees are due and typically paid when a franchise agreement is entered into and are nonrefundable. Royalties, technology fees, and other support fees are paid on a monthly basis based upon amounts defined within the franchise agreement. Franchise fees are collected prior to the satisfaction of the Company's performance obligation, resulting in the Company recognizing deferred revenue contract liabilities. Refer to the *Notes Receivable* section for information about financing provided to franchisees. Amounts that are expected to be recognized as revenue within one year are classified as current deferred revenue in the consolidated balance sheet. The balance of deferred revenue at January 1, 2021 was \$10,447.

For merchandise revenue and mitigation and construction contracts, billings typically occur monthly; however, there are contracts that may dictate milestone-based billing. For corporate services revenue, billing is handled by either the national account or the Company (CDCS) and occurs when the services have been performed. Payment for goods and services performed by the Company is typically due within 30 days after an invoice is sent to the customer. Progress invoices for services performed over a month or more are typically sent to customers on the last business day of each calendar month. Invoices for services performed over a shorter range of time are typically sent to customers upon completion of the service. In instances where the Company is a subcontractor on the contract, the Company is typically paid when the contractor receives its payment. The Company does not offer discounts if the customer pays some or all of an invoiced amount prior to the due date.



## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

### Note 2 - Significant Accounting Policies (Continued)

#### **Determining and Allocating the Transaction Price**

The transaction price of a contract is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes). For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in underlying contracts and that the agreements will not be canceled, renewed, or modified.

Most of the Company's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash; however, certain contracts are priced at the Company's cost plus an agreed-upon margin. The Company's franchise agreements with franchisees have transaction prices that contain fixed and/or variable components. Variable consideration includes royalty revenue, as the transaction price is based on the franchisee's sales. The variable consideration is recognized based on the actual amounts incurred each month.

At the end of each month, the Company updates the estimated transaction prices of contracts having unsatisfied performance obligations. At that time, revenue and related account balances are adjusted to reflect any changes in transaction prices.

#### **Costs to Obtain a Franchise Agreement**

The Company typically incurs commission expenses or third-party broker and referral fees to obtain franchise agreements with franchisees. These charges are related to franchise fee revenue, which is recognized over time. As a result, these charges are capitalized as deferred expenses and are expensed over the term of the respective franchise agreement. For the years ended December 31, 2023, 2022, and 2021, the amounts expensed related to costs to obtain a franchise agreement were approximately \$232, \$237, and \$146, respectively.

#### **Restricted Cash**

Restricted cash represents amounts received from franchisees that are restricted for certain advertising activities.

#### **Accounts Receivable**

Trade accounts receivable are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Company collectively evaluates trade receivables to determine the allowance for credit losses. The Company calculates the allowance using an expected loss model that considers the Company's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Company considers unemployment and consumer spending data when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

### Note 2 - Significant Accounting Policies (Continued)

#### ***Notes Receivable***

Notes receivable are issued upon the sale of a franchise or area franchise rights; in conjunction with the sale of equipment; or, in some cases, to refinance a franchise's overall obligations. Notes receivable are reported at original issue amount plus accrued interest, less principal repaid. Interest is recognized according to the terms of the specific notes. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the notes receivable. The Company collectively evaluates notes receivable to determine the allowance for credit losses. The Company calculates the allowance using an expected loss model that considers the Company's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Company considers unemployment and consumer spending data when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Notes are considered delinquent if the repayment terms are not met. As of December 31, 2023, \$68 of notes receivable were considered past due.

#### ***Fair Value of Financial Instruments***

Financial instruments consist of accounts receivable, notes receivable, accounts payable, and debt. The carrying amount of accounts receivable, accounts payable, and debt approximates fair value due to either the short maturity or the existence of variable interest rates that approximate prevailing market rates. The fair value of notes receivable is determined as the present value of future contractual cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. The discount rates range from 3.4 percent to 18.0 percent and approximate rates currently observed in publicly traded debt markets for debt of similar terms to individuals with comparable credit risk. As of December 31, 2023, 2022, and 2021, the carrying value of notes receivable approximates fair value.

#### ***Inventory***

Inventory is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method.

#### ***Property and Equipment***

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

#### ***Goodwill***

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized but rather is assessed at least on an annual basis for impairment.

During 2023, management determined that the carrying amount of the Company exceeded fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, a goodwill impairment loss of \$45,537 was recognized in 2023, which is included within operating expenses on the consolidated statement of operations. The impairment loss is attributable in part to deteriorating economic conditions impacting the Company, including rising interest rates and the overall cost of accessible debt necessary to fuel investment; furthermore, strategic shifts undertaken by management to improve the overall health of the business, including ongoing efforts to reduce the overall size of its franchise network in order to resolve a host of franchisee-related matters of noncompliance, adversely impacted expected future cash inflows as well. The remaining goodwill was determined not to be impaired, as the carrying value of the remaining company exceeded the fair value.

## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

### Note 2 - Significant Accounting Policies (Continued)

During 2022, Delta ceased operations, and, as a result, management determined that the carrying amount of Delta exceeded fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, a goodwill impairment loss of \$1,266 was recognized in 2022, specifically related to Delta ceasing operations, which is included within operating expenses on the consolidated statement of operations.

No impairment charge was recognized during the year ended December 31, 2021.

#### ***Intangible Assets***

Intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable.

During 2022, the Company determined that, based on estimated future cash flows, the carrying amount of the Delta trade name and franchise agreements exceeded their fair value; accordingly, impairment losses in the amount of \$787 and \$4,165, respectively, were recognized and included in operating expenses. No impairment charge was recognized in 2023 or 2021.

#### ***Other Accrued Liabilities***

Other accrued liabilities are composed of convention accruals, invoice accruals, credit card payables, and other miscellaneous accrued liabilities.

#### ***Advertising Expense***

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for the years ended December 31, 2023, 2022, and 2021 was \$3,027, \$3,806, and \$2,018, respectively.

#### ***Income Taxes***

The Company joins in filing a consolidated federal income tax return with its parent. Current and deferred tax obligations or benefits are allocated to members of the consolidated group as if each were a separate taxpayer.

A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting. A valuation allowance is recognized if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. No valuation allowance was recorded at December 31, 2023, 2022, or 2021.

The Company classifies interest and penalties associated with tax liabilities as income taxes in the accompanying financial statements.

#### ***Use of Estimates***

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

## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

**Note 2 - Significant Accounting Policies (Continued)****Subsequent Events**

The consolidated financial statements and related disclosures include evaluation of events up through and including March 22, 2024, which is the date the consolidated financial statements were available to be issued.

**Note 3 - Prior Period Adjustment**

The accompanying financial statements for 2022 have been restated to correct an error relating to unidentified impairment of the Delta trade name and franchise agreement intangible assets made in 2022. Retained earnings at the beginning of 2023 have been adjusted for the effects of the restatement on 2022.

The following financial statement line items for fiscal year 2022 were affected by the change:

**Statement of Operations**  
**Year Ended December 31, 2022**

	As Previously Reported	As Restated	Effect of Change
Net revenue	\$ 33,483	\$ 33,483	\$ -
Cost of revenue	9,055	9,055	-
Gross profit	24,428	24,428	-
Operating expenses (before impairment)	29,842	27,789	(2,053)
Impairment of goodwill	-	1,266	1,266
Impairment of intangible assets	-	4,952	4,952
Operating loss	(5,414)	(9,579)	(4,165)
Total nonoperating income	1,380	1,380	-
Loss - Before income taxes	(4,034)	(8,199)	(4,165)
Income tax recovery	(810)	(1,869)	(1,059)
Net loss	\$ (3,224)	\$ (6,330)	\$ (3,106)

## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

### Note 3 - Prior Period Adjustment (Continued)

**Balance Sheet  
December 31, 2022**

	As Previously Reported	As Restated	Effect of Change
Total current assets	\$ 11,191	\$ 11,191	\$ -
Right-of-use assets - Net	1,379	1,379	-
Property and equipment - Net	1,701	1,701	-
Goodwill	56,056	56,056	-
Intangible assets - Net	36,731	32,566	(4,165)
Other assets	28,076	28,076	-
	<u>\$ 135,134</u>	<u>\$ 130,969</u>	<u>\$ (4,165)</u>
Current liabilities	\$ 6,984	\$ 6,984	\$ -
Operating lease obligation - Net of current portion	425	425	-
Deferred revenue - Net of current portion	4,864	4,864	-
Deferred tax liabilities	4,060	3,001	(1,059)
	<u>16,333</u>	<u>15,274</u>	<u>(1,059)</u>
Total liabilities	16,333	15,274	(1,059)
Stockholders' equity	118,801	115,695	(3,106)
	<u>118,801</u>	<u>115,695</u>	<u>(3,106)</u>
Total stockholders' equity	118,801	115,695	(3,106)
	<u>\$ 135,134</u>	<u>\$ 130,969</u>	<u>\$ (4,165)</u>
Total liabilities and stockholders' equity	\$ 135,134	\$ 130,969	\$ (4,165)

As a result of the prior period adjustment, retained earnings as of December 31, 2022 decreased from \$4,558, as originally reported, to \$1,452.

### Note 4 - Adoption of New Accounting Pronouncement

As of January 1, 2023, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable and notes receivable. The amendments in this ASU reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The Company adopted the ASU using the modified retrospective method as of January 1, 2023. As a result of the accounting change, retained earnings as of January 1, 2023 decreased from \$1,452 to \$417.

## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

### Note 4 - Adoption of New Accounting Pronouncement (Continued)

The following financial statement line items for fiscal years 2023 were affected by the change in accounting principle:

#### Statement of Operations for the Years Ended

	2023		
	As Computed Under Previous Standard	As Reported Under New Standard	Effect of Change
Net revenue	\$ 31,072	\$ 31,072	\$ -
Cost of revenue	9,613	9,613	-
Gross profit	21,459	21,459	-
Operating expenses before impairment	19,371	20,604	1,233
Impairment of goodwill	45,537	45,537	-
Operating loss	(43,449)	(44,682)	-
Nonoperating Income	882	882	-
Loss - Before income taxes	(42,567)	(43,800)	-
Income tax expense	477	477	-
Consolidated net loss	\$ (43,044)	\$ (44,277)	\$ -

**Notes to Consolidated Financial Statements**

**December 31, 2023, 2022, and 2021**

**(000s omitted)**

**Note 4 - Adoption of New Accounting Pronouncement (Continued)**

**Balance Sheet**

	2023		
	As Computed Under Previous Standard	As Reported Under New Standard	Effect of Change
Cash	\$ 3,701	\$ 3,701	\$ -
Restricted cash	781	781	-
Accounts receivable - Net	2,841	2,338	(503)
Inventory	5,683	5,683	-
Notes receivable - Current portion net of allowance	875	639	(236)
Prepaid expenses and other current assets	625	625	-
Total current assets	14,506	13,767	-
Right-of-use assets - Net	3,098	3,098	-
Property and equipment - Net	2,220	2,220	-
Goodwill	10,519	10,519	-
Intangible assets - Net	28,264	28,264	-
Other assets			
Notes receivable - Net of current portion and allowance	1,830	1,336	(494)
Amounts due from related parties	24,688	24,688	-
Deferred commissions	871	871	-
Other noncurrent assets	216	216	-
Total assets	<u>\$ 86,212</u>	<u>\$ 84,979</u>	<u>\$ (1,233)</u>
Total liabilities	14,596	14,596	-
Stockholders' equity	71,616	70,383	(1,233)
Total liabilities and stockholders' equity	<u>\$ 86,212</u>	<u>\$ 84,979</u>	<u>\$ (1,233)</u>

**Note 5 - Accounts Receivable**

The following is the detail of accounts receivable:

	2023	2022	2021
Trade receivables	\$ 2,880	\$ 5,231	\$ 8,483
Other	431	432	864
Less - Allowance for credit losses	973	2,589	3,016
Net accounts receivable	<u>\$ 2,338</u>	<u>\$ 3,074</u>	<u>\$ 6,331</u>

The activity in the allowance for credit losses is as follows:

	2023
Balance at beginning of period	\$ 2,990
Additions charged to expense	634
Deductions/write-offs	(2,651)
Balance at end of period	<u>\$ 973</u>

## Notes to Consolidated Financial Statements

**December 31, 2023, 2022, and 2021**

**(000s omitted)**

### Note 6 - Inventory

Inventory consists of equipment, cleaning supplies, chemicals, and mixed cleaning solutions. Inventory, net of reserve, at December 31, 2023, 2022, and 2021 consists of the following:

	2023	2022	2021
Raw materials	\$ 1,797	\$ 2,000	\$ 1,156
Finished goods	3,886	2,393	1,715
Total	\$ 5,683	\$ 4,393	\$ 2,871

### Note 7 - Notes Receivable

Notes receivable at December 31, 2023, 2022, and 2021 are as follows:

	2023	2022	2021
Amounts due from the sale of franchises and area franchise rights and refinanced obligations, due in monthly payments, with imputed interest from 3.4 to 18.0 percent, collateralized by the franchise, equipment, and personal guarantees	\$ 3,070	\$ 5,478	\$ 10,334
Amounts due from the sale of equipment to franchisees, due in monthly payments, with imputed interest between 6.5 and 10.0 percent, collateralized by the equipment	20	41	32
Total gross notes receivable	3,090	5,519	10,366
Less allowance for credit losses	(1,115)	(1,112)	(2,219)
Less current portion	1,027	1,972	4,584
Long-term portion	\$ 948	\$ 2,435	\$ 3,563

The activity in the allowance for credit losses is as follows:

	2023
Balance at beginning of period	\$ 1,746
Additions charged to expense	292
Deductions/write-offs	(923)
Balance at end of period	\$ 1,115



## Notes to Consolidated Financial Statements

**December 31, 2023, 2022, and 2021**

**(000s omitted)**

### Note 8 - Property and Equipment

Property and equipment at December 31, 2023, 2022, and 2021 are summarized as follows:

	2023	2022	2021	Depreciable Life - Years
Machinery and equipment	\$ 844	\$ 762	\$ 548	2-10
Vehicles	222	102	100	5
Furniture and fixtures	191	126	114	3-5
Office and computer equipment	1,442	1,253	1,048	3-5
Leasehold improvements	441	431	412	1-7
Construction in progress	1,005	362	260	-
<b>Total cost</b>	<b>4,145</b>	<b>3,036</b>	<b>2,482</b>	
<b>Accumulated depreciation</b>	<b>1,925</b>	<b>1,335</b>	<b>872</b>	
<b>Net property and equipment</b>	<b>\$ 2,220</b>	<b>\$ 1,701</b>	<b>\$ 1,610</b>	

Depreciation expense for the years ended December 31, 2023, 2022, and 2021 was \$591, \$490, and \$443, respectively.

### Note 9 - Intangible Assets and Goodwill

Intangible assets and goodwill of the Company at December 31, 2023, 2022, and 2021 are summarized as follows:

	2023		2022 (As Restated)		2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Franchise agreements	\$ 32,215	\$ 11,151	\$ 32,215	\$ 8,684	\$ 37,900	\$ 7,288
Trade names	7,400	3,375	7,503	2,655	8,500	2,104
Patented technology	7,600	4,886	7,650	3,801	7,600	2,714
Internal software	1,818	1,766	1,818	1,745	1,800	1,443
Patents and trademarks	514	105	297	32	297	32
<b>Total amortized intangible assets</b>	<b>\$ 49,547</b>	<b>\$ 21,283</b>	<b>\$ 49,483</b>	<b>\$ 16,917</b>	<b>\$ 56,097</b>	<b>\$ 13,581</b>
<b>Goodwill</b>	<b>\$ 10,519</b>	<b>\$ -</b>	<b>\$ 56,056</b>	<b>\$ -</b>	<b>\$ 57,322</b>	<b>\$ -</b>

Amortization expense for intangible assets totaled \$4,380, \$5,169, and \$5,446 for the years ended December 31, 2023, 2022, and 2021, respectively.

## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

### Note 9 - Intangible Assets and Goodwill (Continued)

Estimated amortization expense for intangible assets for the years ending December 31 is as follows:

Years Ending	Amount
2024	\$ 4,377
2025	4,366
2026	3,819
2027	3,272
2028	3,003
Thereafter	9,427
Total	\$ 28,264

### Note 10 - Leases

The Company is obligated under operating leases primarily for facilities, expiring at various dates through December 2026, taking into consideration lease renewal options and termination provisions. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 3.25 to 8.50 percent. The weighted-average remaining lease term at December 31, 2023 is 38 months. The weighted-average discount rate used at December 31, 2023 is 7.79 percent. Some of the leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was approximately \$1,051, \$1,103, and \$1,176 for the years ended December 31, 2023, 2022, and 2021, respectively. Total cash paid for operating leases, excluding any variable payments, was \$1,172 for the year ended December 31, 2023.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2024	\$ 1,199
2025	1,213
2026	1,127
Total	3,539
Less amount representing interest	371
Present value of net minimum lease payments	3,168
Less current obligations	1,002
Long-term obligations under operating leases	\$ 2,166

## Notes to Consolidated Financial Statements

**December 31, 2023, 2022, and 2021**

**(000s omitted)**

### Note 10 - Leases (Continued)

The Company subleases certain facilities. As of December 31, 2023, there are no sublease rentals to be received in future periods. Rental income under the sublease was \$385, \$268, and \$269 for the years ended December 31, 2023, 2022, and 2021, respectively.

### Note 11 - Income Taxes

The components of the income tax provision included in the consolidated statement of operations are all attributable to continuing operations and are detailed as follows:

	2023	2022 (As Restated)	2021
Current income tax expense	\$ 212	\$ 726	\$ 424
Deferred income tax expense (recovery)	265	(2,595)	795
Total income tax expense (recovery)	\$ 477	\$ (1,869)	\$ 1,219

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal rate to income before taxes is as follows:

	2023	2022 (As Restated)	2021
Income tax (recovery) expense, computed at 21 percent of pretax income	\$ (9,416)	\$ (830)	\$ 873
Permanent differences	9,568	-	-
State income tax expense (recovery)	168	(42)	257
Other	157	(997)	89
Total provision for income taxes	\$ 477	\$ (1,869)	\$ 1,219

The details of the net deferred tax liability are as follows:

	2023	2022 (As Restated)	2021
<b>Deferred tax assets:</b>			
Allowance for credit losses	\$ 531	\$ 941	\$ 1,312
Deferred revenue	1,259	1,759	2,365
Notes receivable	52	156	260
Interest limitation carryforward	1,029	872	590
Accrued liabilities	210	231	291
Lease liability	806	399	668
Other	874	882	159
Gross deferred tax assets	4,761	5,240	5,645
<b>Deferred tax liabilities:</b>			
Intangibles	(6,836)	(7,493)	(10,160)
Property and equipment	(244)	(309)	(308)
Prepaid expenses	(159)	(88)	(165)
Right-of-use asset	(788)	(351)	(608)
Gross deferred tax liabilities	(8,027)	(8,241)	(11,241)
Net deferred tax liability	\$ (3,266)	\$ (3,001)	\$ (5,596)

## Notes to Consolidated Financial Statements

December 31, 2023, 2022, and 2021

(000s omitted)

### Note 12 - Common Stock

Common stock consists of 5,000 authorized shares of \$1 par value stock. As of December 31, 2023, 2022, and 2021, there were 5,000 shares issued and outstanding.

### Note 13 - Contingencies

The Company is party to an agreement with an unrelated financial institution where the Company guarantees a portion of the losses resulting from equipment-related financing arrangements made between the financial institution and certain of the Company's franchisees. In the event of a default by a franchisee, the Company guarantees the financial institution's losses, including proceeds received from the sale of collateralized equipment as follows: 30 percent on equipment and between 30 percent and 100 percent on nonequipment. As of December 31, 2023, 2022, and 2021, the financial institution provided cumulative aggregate financing arrangements for certain of the Company's franchisees totaling approximately \$8,170, \$8,140, and \$8,140, with open financed amounts totaling approximately \$1,577, \$1,774, and \$2,772, respectively. Payments made under this guarantee during the years ended December 31, 2023, 2022, and 2021 were approximately \$0, \$178, and \$18, respectively, and the Company has recorded the estimated present value of this contingent liability as of December 31, 2023, 2022, 2021 of approximately \$13, \$68, and \$230, respectively, which is included in accrued liabilities in the accompanying consolidated balance sheet.

### Note 14 - Related Party Transactions

The following is a description of transactions between the Company and related parties:

#### ***Amounts Due from Related Parties***

At December 31, 2023, 2022, and 2021, the Company had accounts receivable from Belfor USA Group, Inc. totaling \$24,688, \$23,843, and \$16,717, respectively, which relates to amounts advanced for working capital purposes and amounts due for expenses incurred by the Company on behalf of related parties.

#### ***Guarantee***

The Company has guaranteed balances outstanding on the term loan and line of credit issued to Belfor Holdings, Inc. and other entities related through common ownership. In the event of a default by the affiliates, the Company could be obligated to repay the full amount outstanding on these loans. As of December 31, 2023, the affiliates' outstanding borrowings under the loans and the maximum potential future obligation under this guarantee totaled approximately \$1,512,898 and \$1,812,898, respectively. The term loan is payable through November 2030, and the line of credit expires in November 2028. In the event the Company is required to make payments under this guarantee, the Company could seek to recover those amounts from the affiliate; however, the Company does not hold specific recourse or collateral rights in connection with the guarantee.

#### ***Guarantee of Performance***

The Company is listed as the guarantor of performance within the franchise disclosure documents of various franchisors within Belfor Franchise Group, LLC. In the event the Company is required to make payments under this guarantee, the Company could seek to recover those amounts from the affiliate; however, the Company does not hold specific recourse or collateral rights in connection with the guarantee.

## Notes to Consolidated Financial Statements

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**December 31, 2023, 2022, and 2021**

**(000s omitted)**

### **Note 15 - Retirement Plans**

The Company sponsors a 401(k) plan for substantially all employees. The plan provides for the Company to make a required matching contribution. The Company may also make additional discretionary contributions to the plan. Contributions to the plan totaled \$212, \$244, and \$251 for the years ended December 31, 2023, 2022, and 2021, respectively.

## GUARANTEE OF PERFORMANCE

For value received, BFG Holdco, Inc., a Delaware corporation (the "Guarantor"), located at 3310 West End Avenue, Suite 620, Nashville, TN 37203, absolutely and unconditionally guarantees to assume the duties and obligations of Chem-Dry, Inc., NHance, Inc., 1-800 Water Damage International, LLC, Hoodz International, LLC, Ductz International, LLC, Patch Boys International, LLC, Plumberz International, LLC, Packoutz International, LLC, Safer Home Services International, LLC, Cool Binz International, LLC, and JunkCo+ International, LLC, under their franchise registrations in each state where the franchises are registered, and under its Franchise Agreement identified in their Franchise Disclosure Documents issued March 29, 2024, and Redbox+ International, LLC under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document, issued April 4<sup>th</sup>, 2024 (individually, each, a "Franchisor"), and as the Franchise Agreements may be entered into with all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding, notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor Executes this guarantee at Nashville, Tennessee, on 3/27/2024, 2024.

Guarantor:

BFG Holdco, Inc.

DocuSigned by:

*Janette Sims*

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Janette Sims

Chief Financial Officer

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# Ductz International, LLC

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**Financial Report  
December 31, 2022**

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## **Independent Auditor's Report**

To the Board of Directors  
Ductz International, LLC

### **Opinion**

We have audited the accompanying financial statements of Ductz International, LLC (the "Company"), a wholly owned subsidiary of Belfor Franchise Group, LLC (the "Member"), which comprise the balance sheet as of December 31, 2022, 2021, and 2020 and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

### **Basis for Opinion**

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

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

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

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

### **Auditor's Responsibilities for the Audits 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 audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Ductz International, LLC

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*Plante & Moran, PLLC*

February 22, 2023

Balance Sheet

December 31, 2022, 2021, and 2020

	2022	2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 117,228	\$ 215,147	\$ 295,014
Accounts receivable:			
Trade	56,318	127,962	114,102
Unbilled	30,535	57,411	45,622
Notes receivable - Current portion	14,785	18,028	10,138
Prepaid expenses	14,561	11,559	13,875
Total current assets	233,427	430,107	478,751
<b>Property and Equipment - Net (Note 4)</b>	23,438	41,664	80,080
<b>Deferred Broker Commissions (Note 2)</b>	11	11	3,611
<b>Other Assets</b>			
Amounts due from related parties (Note 3)	14,418,970	11,546,138	9,554,982
Notes receivable - Net of current portion	3,743	21,446	13,267
Deposits	22,111	22,111	22,111
Total assets	<b>\$ 14,701,700</b>	<b>\$ 12,061,477</b>	<b>\$ 10,152,802</b>
<b>Liabilities and Members' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 14,856	\$ 21,434	\$ 24,479
Finance lease obligation - Current portion (Note 5)	-	7,077	8,386
Deferred revenue - Current portion (Note 2)	55,232	54,799	56,569
Accrued and other current liabilities:			
Accrued compensation	54,382	27,110	51,235
Other accrued liabilities	26,995	47,179	80,730
Total current liabilities	151,465	157,599	221,399
<b>Amounts Due to Related Parties (Note 3)</b>	7,720,218	6,355,338	5,470,460
<b>Finance Lease Obligation (Note 5)</b>	-	3,687	10,765
<b>Deferred Revenue - Net of current portion (Note 2)</b>	321,439	340,071	326,120
Total liabilities	8,193,122	6,856,695	6,028,744
<b>Members' Equity</b>	6,508,578	5,204,782	4,124,058
Total liabilities and members' equity	<b>\$ 14,701,700</b>	<b>\$ 12,061,477</b>	<b>\$ 10,152,802</b>

**Statement of Operations**

**Years Ended December 31, 2022, 2021, and 2020**

	2022	2021	2020
<b>Revenue</b>			
Royalties	\$ 2,311,056	\$ 2,120,561	\$ 1,904,282
Franchise fees	90,799	87,140	60,538
Other revenue	116,466	142,477	121,522
Total revenue	2,518,321	2,350,178	2,086,342
<b>Operating Expenses</b>			
General and administrative	1,218,939	1,222,587	1,372,077
Selling and marketing	(468)	41,633	26,418
Total operating expenses	1,218,471	1,264,220	1,398,495
<b>Operating Income</b>	1,299,850	1,085,958	687,847
<b>Nonoperating Income (Expense)</b>			
Interest income	4,185	620	1,684
(Loss) gain on disposal of property and equipment	-	(5,068)	3,479
Interest expense	(239)	(786)	(1,164)
Total nonoperating income (expense)	3,946	(5,234)	3,999
<b>Net Income</b>	<b>\$ 1,303,796</b>	<b>\$ 1,080,724</b>	<b>\$ 691,846</b>

**Statement of Members' Equity**

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**Years Ended December 31, 2022, 2021, and 2020**

<b>Balance</b> - January 1, 2020	\$ 3,432,212
Net income	<u>691,846</u>
<b>Balance</b> - December 31, 2020	4,124,058
Net income	<u>1,080,724</u>
<b>Balance</b> - December 31, 2021	5,204,782
Net income	<u>1,303,796</u>
<b>Balance</b> - December 31, 2022	<u><u>\$ 6,508,578</u></u>

**Statement of Cash Flows**

**Years Ended December 31, 2022, 2021, and 2020**

	2022	2021	2020
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 1,303,796	\$ 1,080,724	\$ 691,846
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	16,803	41,122	49,137
Loss (gain) on disposal of property and equipment	-	5,068	(3,479)
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable	98,520	(25,649)	(91,100)
Notes receivable	20,946	(16,069)	22,509
Deferred broker commissions	-	3,600	8,600
Prepaid expenses and other assets	(3,002)	2,316	18,620
Amounts due from related parties	(2,872,832)	(1,991,156)	(1,661,406)
Accounts payable	(6,578)	(3,045)	(5,883)
Accrued and other liabilities	7,088	(57,676)	54,084
Deferred revenue	(18,199)	12,181	100,102
Amounts due to related parties	1,364,880	884,878	980,422
Net cash (used in) provided by operating activities	(88,578)	(63,706)	163,452
<b>Cash Flows from Investing Activities</b>			
Purchase of property and equipment	(13,825)	(7,774)	(47,734)
Proceeds from sale of property and equipment	-	-	3,479
Net cash used in investing activities	(13,825)	(7,774)	(44,255)
<b>Cash Flows Provided by (Used in) Financing Activities -</b>			
Transfer (repayment) of finance lease obligation	4,484	(8,387)	(10,737)
<b>Net (Decrease) Increase in Cash</b>	(97,919)	(79,867)	108,460
<b>Cash - Beginning of year</b>	215,147	295,014	186,554
<b>Cash - End of year</b>	<b>\$ 117,228</b>	<b>\$ 215,147</b>	<b>\$ 295,014</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 239	\$ 786	\$ 1,164
<b>Significant Noncash Transactions</b>			
Transfer of property and equipment under finance lease from related party in exchange for assumption of finance lease obligation	\$ 15,248	\$ -	\$ 6,082

**December 31, 2022, 2021, and 2020**

**Note 1 - Nature of Business**

Ductz International, LLC (the "Company") is a wholly owned subsidiary of Belfor Franchise Group, LLC (the "Member"), which is a wholly owned subsidiary of Belfor USA Group, Inc. (Belfor). The Company's operations are principally related to the sales and support of franchises for heating, ventilation and air conditioning restoration, maintenance, and related duct and dryer vent services, primarily in the United States.

The Member is also the sole member of Ductz North America, LLC; Hoodz North America, LLC; Hoodz International, LLC; 1 800 Water Damage North America, LLC; 1 800 Water Damage International, LLC; Driploc, LLC; A Cure Disaster Services, LLC; Packoutz North America, LLC; Packoutz International, LLC; Plumberz North America, LLC; Plumberz International, LLC; Patch Boys International, LLC; Redbox+ International, LLC; Cool Binz North America, LLC; Cool Binz International, LLC; Safer Home Services North America, LLC; and Safer Home Services International, LLC.

**Note 2 - Significant Accounting Policies**

***Revenue Recognition***

The Company's revenue mainly consists of franchise fees, royalties, and technology fees. The Company sells individual franchises that grant the right to service customers within a defined territory using the franchise name. The initial term of franchise agreements is typically 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid.

The Company has performance obligations to provide franchisees with the franchise rights to service customers and provide customized software for which a technology fee is charged. The Company has concluded that these items represent a single performance obligation. Therefore, initial franchise fees for each agreement and technology fees are allocated to each individual franchise and recognized over the term of the respective franchise agreement from the date the agreement is entered into. Technology fees are recorded as other revenue within the statement of operations. Renewal fees are recognized over the renewal term for the respective franchise from the start of the renewal period. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Royalty income is recognized over the term of the respective franchise agreement as the underlying sales occur.

As of January 1, 2020, balances were \$68,624 and \$282,587 for accounts receivable and deferred revenue, respectively.

***Payment Terms***

Initial franchise, renewal, and transfer fees are due and typically paid when a franchise agreement is entered into and are nonrefundable. Royalties and technology fees are paid on a weekly basis based upon a percentage of franchisee gross sales and an amount defined within the franchise agreement. Franchise fees are collected prior to the satisfaction of the Company's performance obligation, resulting in the Company recognizing deferred revenue contract liabilities. Refer to the Notes Receivable section for information about financing provided to franchisees. Amounts that are expected to be recognized as revenue within one year are classified as current deferred revenue in the balance sheet.

***Allocating the Transaction Price***

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to service customers. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that agreements will not be canceled, renewed, or modified.

December 31, 2022, 2021, and 2020

**Note 2 - Significant Accounting Policies (Continued)**

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes royalty revenue, as the transaction price is based on the franchisees' sales. The variable consideration is recognized based on the actual amounts incurred each month.

**Costs to Obtain a Franchise Agreement**

The Company occasionally incurs broker commission expenses paid to third parties to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue, which is recognized over time. As a result, the commissions are capitalized as deferred broker commissions and are expensed over the term of the respective franchise agreement. In 2022, 2021, and 2020, the amounts expensed related to costs to obtain a franchise agreement were approximately \$0, \$4,000, and \$9,000, respectively.

**Accounts Receivable**

Accounts receivable are stated at net invoice amounts. Accounts receivable and unbilled receivables arise from contracts with franchisees. An allowance for doubtful accounts is established based on a specific assessment of all invoices issued to franchisees that remain unpaid following normal payment periods. All accounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible; therefore, an allowance for doubtful accounts has not been recorded at December 31, 2022, 2021, and 2020.

**Notes Receivable**

During the normal course of business, the Company may provide financing to franchisees in the form of notes.

Notes receivable are reported at original issue amount plus accrued interest, less principal repaid. Interest is recognized according to terms of the specific notes. An allowance for loan losses is determined based on a specific assessment of all notes that are delinquent or determined to be doubtful to be collected. Notes are considered delinquent if the repayment terms are not met. All amounts deemed to be uncollectible are charged against the allowance for loan losses in the period that determination is made. Management considers all notes receivable collectible; therefore, an allowance for loan losses has not been recorded at December 31, 2022, 2021, and 2020.

At December 31, 2022, 2021, and 2020, notes receivable represent various loans bearing interest between 6 percent and 10 percent, including related accrued interest. The notes are generally secured by the related assets or business. Notes receivable generally require monthly payments of principal and interest, due one to three years from the original issuance date. The notes are classified as current or long term on the accompanying balance sheet, depending on their maturity dates.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the individual assets, ranging from two to seven years. Depreciation of leasehold improvements is provided using the straight-line method over the lesser of the useful life of the improvement or the term of the lease. Costs of maintenance and repairs are charged to expense when incurred.

**Advertising Expense**

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2022, 2021, and 2020 was \$112,784, \$181,792, and \$230,394, respectively.



**December 31, 2022, 2021, and 2020**

**Note 2 - Significant Accounting Policies (Continued)**

***Income Taxes***

The Company is a single-member limited liability company (LLC) and joins in filing a consolidated federal income tax return with the Member and Belfor. Current and deferred tax obligations or benefits are not allocated to the Company by the Member or Belfor.

***Use of Estimates***

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

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including February 22, 2023, which is the date the financial statements were available to be issued.

**Note 3 - Related Party Transactions**

The following is a description of transactions between the Company and related parties:

***Amounts Due to and from Related Parties***

The Company's portion of shared expenses is allocated to the Company by parties related through common ownership, including employee payroll costs, certain retirement costs, occupancy costs, and other general and administrative expenses. Expenses that are not allocated to the Company by parties related through common ownership include property taxes, certain retirement contributions, and payroll processing fees. The Company and parties related through common ownership also advance funds to each other for working capital purposes. Amounts due to and from related parties result from these transactions.

As of December 31, 2022, 2021, and 2020, the Company owed Ductz North America, LLC \$3,594,215, \$2,937,064, and \$2,806,454, respectively.

As of December 31, 2022, 2021, and 2020, Belfor owed the Company \$13,734,990, \$10,860,988, and \$8,899,274, respectively.

As of December 31, 2022, 2021, and 2020, Hoodz International, LLC owed the Company \$513,802, \$513,954, and \$491,065, respectively.

As of December 31, 2022, 2021, and 2020, the Company owed the Member \$4,115,032, \$3,409,207, and \$2,655,850, respectively.

As of December 31, 2022, Hoodz North America, LLC owed the Company \$66,992, and, as of December 31, 2021 and 2020, Hoodz North America, LLC owed the Company \$71,544.

As of December 31, 2022, 2021, and 2020, 1 800 Water Damage International, LLC owed the Company \$63,186, \$61,934, and \$56,099, respectively.

As of December 31, 2022, 2021, and 2020, Driploc, LLC owed the Company \$37,000.

As of December 31, 2022, 2021, and 2020, the Company owed 1 800 Water Damage North America, LLC \$9,405, \$9,057, and \$7,183, respectively.

As of December 31, 2022, 2021, and 2020, the Company (owed to) and was owed from Patch Boys International, LLC (\$75), \$683, and (\$102), respectively.

December 31, 2022, 2021, and 2020

**Note 3 - Related Party Transactions (Continued)**

As of December 31, 2022, 2021, and 2020, the Company owed Plumberz International, LLC \$769, \$10, and \$871, respectively.

As of December 31, 2022 and 2021, the Company was (owed to) owed from Packoutz International, LLC \$(722) and \$35, respectively.

As of December 31, 2022, Plumberz North America, LLC owed the Company \$3,000.

**Guarantee**

The Company has guaranteed balances outstanding on the term loan and the line of credit issued to Belfor Holdings, Inc. and other entities related through common ownership. In the event of a default by the affiliates, the Company could be obligated to repay the full amount outstanding on these loans. As of December 31, 2022, the affiliates' outstanding borrowings under the loans and the maximum potential future obligation under this guarantee totaled \$1,256,012,150 and \$1,347,307,310, respectively. The term loan is payable through April 2026, and the line of credit expires in April 2024. In the event the Company is required to make payments under this guarantee, the Company could seek to recover those amounts from the affiliate; however, the Company does not hold specific recourse or collateral rights in connection with the guarantee.

**Note 4 - Property and Equipment**

Property and equipment are summarized as follows:

	2022	2021	2020
Technical equipment	\$ 53,950	\$ 53,950	\$ 53,950
Trucks	36,471	64,315	78,913
Furniture and fixtures	256,911	253,157	249,054
Computer equipment and software	100,089	94,358	273,245
Leasehold improvements	6,829	2,490	609,279
Total cost	454,250	468,270	1,264,441
Accumulated depreciation	430,812	426,606	1,184,361
Net property and equipment	\$ 23,438	\$ 41,664	\$ 80,080

**Note 5 - Leases**

The Company has an operating lease for the use of building space with the sole member, with a lease term of one year or less. The Company has elected to account for this lease as a short-term lease, and it is excluded as a right-of-use asset and lease liability. Total expense related to the short-term lease was \$25,092, \$25,927, and \$26,582 for December 31, 2022, 2021, and 2020, respectively.

The Company leased an automobile under a long-term lease arrangement that was classified as a finance lease. Under the terms of the lease agreement, payments ranging from \$3,729 to \$7,459 were due monthly through June 2023. The right-of-use asset and related lease liability were calculated using a discount rate of 5.5 percent. During 2022, the lease was transferred to an affiliated party. There are no future minimum lease payments under finance lease.

At December 31, 2021 and 2020, property under finance leases consisted of automobiles with a right-of-use asset of \$27,844 and \$42,442, respectively, which are included within the trucks line item in Note 4. Accumulated depreciation on the property under finance leases was \$10,607 and \$15,753 at December 31, 2021 and 2020, respectively.

Depreciation expense on property under finance leases is included in the depreciation amount disclosed on the statement of cash flows.

**Note 6 - 401(k) Plan**

The Company participates in the Belfor Group 401(k) plan of its parent, Belfor. The employer matching contribution and discretionary match are paid by Belfor. The Company was allocated a portion of the employer matching contributions by its affiliates in the amount of \$17,782, \$17,948, and \$13,286 for the years ended December 31, 2022, 2021, and 2020, respectively.

**EXHIBIT C  
TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE ADMINISTRATORS**

<b>State</b>	<b>State Administrator</b>
CALIFORNIA	Commissioner of Financial Protection and Innovation Division of Corporations 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 213.576.7500 or Toll Free 866.275.2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808.586.2722
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 217.782.1090
INDIANA	Indiana Secretary of State Securities Division, Franchise Section, Room E-111 302 West 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
MICHIGAN	Michigan Department of Attorney General Division of Securities, Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 517.373.7117
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 651-539-1600
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl New York, NY 10005 212-416-8222
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue

State	State Administrator
	State Capital, Fifth Floor Dept. 414 Bismarck, ND 58505-0510 701-328-4712
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities 350 Winter Street, N.E. #410 Salem, OR 97310 503.378.4387
RHODE ISLAND	Department of Business Regulation Division of Securities 1151 Pontiac Avenue Building 69-1 Cranston, RI 02920 401.222.3048
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605.773.3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804.371.9051
WASHINGTON	Director of Dept. of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504
WISCONSIN	Wisconsin Securities Commissioner Department of Financial Institutions 201 W. Washington Avenue, 3 <sup>rd</sup> Floor P.O. Box 1768 Madison, WI 53703 608.261.9555

**EXHIBIT D  
TO FRANCHISE DISCLOSURE DOCUMENT**

**AGENTS FOR SERVICE OF PROCESS**

State	Agent for Service of Process
CALIFORNIA	CA Commissioner of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 213.576.7500 or Toll Free 866.275.2677
HAWAII	Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, HI 96813 808.586.2722
ILLINOIS	Illinois Attorney General 500 South Second Street Springfield, IL 62706 217.782.1090
INDIANA	Indiana Secretary of State 201 State House Indianapolis, IN 46204 317.232.6681
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 410.576.6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 670 Law Building Lansing, MI 48913 517.373.7117
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 651-539-1600
NEW YORK	Secretary of State, New York One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> floor Albany, NY 12231
NORTH DAKOTA	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capital, Fifth Floor Dept. 414 Bismarck, ND 58505-0510 701.328.4712
OREGON	Director of Oregon Department of Insurance and Finance 350 Winter Street, N.E. #410 Salem, OR 97310 503.378.4387
RHODE ISLAND	Director of Rhode Island Department of Business Regulation 1151 Pontiac Avenue Building 69-1

State	Agent for Service of Process
	Cranston, RI 02920 401.222.3048
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605.773.3563
VIRGINIA	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 804.371.9051
WASHINGTON	Director of Dept. of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, WA 98501 360.902.8760
WISCONSIN	Commissioner of Securities of Wisconsin Department of Financial Institutions 201 W. Washington Avenue, 3 <sup>rd</sup> Floor P.O. Box 1768 Madison, WI 53703 608.261.9555

**EXHIBIT E  
TO FRANCHISE DISCLOSURE DOCUMENT**

**STATE ADDENDA TO DISCLOSURE DOCUMENT**

**ADDITIONAL DISCLOSURES FOR THE STATE OF CALIFORNIA**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000 – 20043, the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of California, shall be amended to include the following:

The following is added to the Cover Page of this Disclosure Document:

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

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

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

Pursuant to California code, you will need to have either a C-20 (Warm Air Heating, Ventilating & Air Conditioning) license 832.20 CCR, or a C-61/D-64 (Limited Specialty / Non-specialized) (Chapter 9, Division 3 of the Business and Professions Code “Contractors License Law”). These can be attained through the CA Contractors State License Board – Consumer Affairs 9821 Business Park Drive, Sacramento, CA 95827.

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

1. California Law Regarding Termination and Non-Renewal. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains any 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.).
2. Non-Competition Covenants. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.
3. Applicable Law. The Franchise Agreement requires application of the laws of the State of Michigan. This provision may not be enforceable under California law.



4. General Release. The Franchise Agreement requires you 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 any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).
5. Litigation. The Franchise Agreement requires that all disputes be litigated in Michigan. This provision may not be enforceable under California law. 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 and Code of Civil Procedure Section 1281) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

The following paragraph is added at the end of Item 19 of the Disclosure Document:

The earnings claim figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

OUR WEBSITE [WWW.DUCTZ.COM](http://WWW.DUCTZ.COM) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

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

The maximum interest rate allowed by law in California is 10% annually.

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

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.)

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

## ADDITIONAL DISCLOSURES FOR THE STATE OF HAWAII

The following is added to the Cover Page of this Disclosure Document:

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.

THE 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: Director of Commerce and Consumer Affairs, Business Registration Division, 1010 Richards Street, Honolulu, HI, 96813

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. Sections 482E-, *et. seq.*, the Franchise Disclosure Document of DUCTZ International, LLC, in connection with the offer and sale of franchises for use in the State of Hawaii, shall be amended to include the following:

1. The following list is hereby added to the end of Item 20 of the Disclosure Document to reflect the status of our franchise registrations in states which have franchise registration and/or disclosure laws:
  - a. The states in which a registration is effective, in which we are relying on an exception, or where an offering has been filed:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

- b. The states in which a proposed registration of filing is or will be shortly on file: None
- c. The states, if any, which have refused, by order or otherwise, to register these franchises: None.
- d. The states, if any, which have revoked or suspended the right to offer these franchises: None
- e. The states, if any, in which proposed registration of these franchises has been withdrawn: None

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF ILLINOIS.**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1 et. seq., the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Illinois, shall be amended to include the following:

The following language is added to the table in Item 17 at the end of the Summary sections of provisions (v) and (w) entitled Choice of Forum and Choice of Law: “subject to state law, and except for any claims arising under the Illinois Franchise Disclosure Act of 1987.” Illinois law will govern the Agreement and all litigation will be commenced in Illinois.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Investment Act of 1987 are met independently without reference to this Addendum to the Disclosure Document.

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

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

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

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

## **ADDITIONAL DISCLOSURES FOR THE STATE OF INDIANA**

In recognition of the requirements of the Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 -7; amended by Laws of 1985, PL 233, the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Indiana, shall be amended to include the following:

1. It is unlawful for any Franchise Agreement entered into between any franchisor and a franchisee that is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana, to contain any of the following provisions. The following statements are added at the end of the Franchise Agreement table in Item 17: “Any release required as a condition of renewal and/or transfer will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act.”
2. The Summary section of Item 17(r.) entitled Non-Competition Covenants after the Franchise Terminates or Expires is amended to provide that the provisions contained in the Franchise Agreement and Item 12 of this Disclosure Document are subject to Indiana Code 23-2-2-7-1(9), which prohibits covenants not to compete which extend beyond any exclusive Territory granted to you.
3. Item 17(v) and 17(w) entitled Choice of Forum and Choice of law are amended to provide that Michigan law generally applies except for matters arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act.
4. In reference to Section 15.I. of the Franchise Agreement, such waivers constitute a limitation on litigation and therefore violate IC 23-2-2.7-1(10) and may not occur under this provision.
5. In reference to Section 15.K. of the Franchise Agreement, such a limitation of claims may only be barred unless an action is brought more than two years after the violation pursuant to IC 23-2-2.7-7.

Each provision of these Additional Disclosures to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to these Additional Disclosures to the Disclosure Document.

## **ADDITIONAL DISCLOSURES FOR THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Uniform Franchise in connection with the offer and sale of franchises for use in the State of Maryland, shall be amended to include the following:

Item 17.C. and 17.M., require a general release as a condition of renewal, sale, and/or transfer. Any such release shall not apply to any liability that falls under the Maryland Franchise Registration and Disclosure Law.

Item 17.U. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought by you within three years after the grant of the Franchise.

Item 17.V., requires that all actions will be commenced in the state, and in any court of general jurisdiction in Washtenaw, Michigan, or the United States District Court for the Eastern District of Michigan, except for claims arising under the Maryland Franchise Registration and Disclosure Law, which may be commenced by you in Maryland.

Exhibit I of the Franchise Agreement is a Disclosure Acknowledgement Questionnaire. Such representations are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Despite any contradicting provision in the Franchise Agreement, you have three years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

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

## **ADDITIONAL DISCLOSURES FOR THE STATE OF MINNESOTA**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat 80C.01 through 80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules 2860.0100 through 2860.9930, the Franchise Disclosure Document in connection with the offer and sale of franchises for use in the State of Minnesota shall be amended to include the following:

Item 13. “Trademarks, Service Marks, Trade Names Logotypes and Commercial Symbols,” is amended by the addition of the following:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights that you have to use our proprietary rights, including your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suite or demand regarding the use of the name.

Item 17. “Renewal, Termination, Transfer, and Dispute Resolution,” is amended by the addition of the following paragraphs:

1. Minn. Rule 2860.4400J. prohibits the waiver of a jury trial.
2. Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three years after the cause of action occurs.

3. Minn. Stat. Sec. 80C, 14 Subds. 3, 4, and 5 requires that, except in certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise cannot be unreasonably withheld.
4. Minn. Stat. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum, or remedies that the laws of jurisdiction provide.
5. Minn. Rule 2860.4400D. prohibits us from requiring you to assent to a general release.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated by the Minnesota Commissioner of Commerce, are met independently without reference to these Additional Disclosures in the Disclosure Document.

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

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF NEW YORK.**

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 C OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

The following is to be 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:

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.

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.

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.

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.

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.

The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

The following is added to the end of the "Summary" 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.

#### **ADDITIONAL DISCLOSURES FOR THE STATE OF NORTH DAKOTA**

The following is added to the Cover Page of the Disclosure Document:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST, OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-09-01.-51-09-17. N.D.C.C.)

- A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 908-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.
- B. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- C. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- D. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
- E. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
- F. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.

In recognition of the requirements of the North Dakota Franchises Law, Section 51-19-09, the Franchise Disclosure Document in connection with the offer and sale of franchises for use in the State of North Dakota the following sections shall be amended to read:

Item 17 (c) and 17(m). The following is added to the end of Items 17(c) and 17(m):

“However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.”

Item 17(r). The following is added to the end of 17(r):

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.”

Item 17 (u) The following is added to the end of 17(u):

To the extent required by the North Dakota Franchise Investment Law, mediation will be at a site which you and we mutually agree.



Item 17(v). Item 17(v) is deleted and replaced with the following:

“All actions will be commenced in the state or federal court of general jurisdiction, closest to our principal address as the time of the action, except that, subject to your dispute resolution obligation, and to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

Item 17(w). Item 17(w) is deleted and replaced with the following:

“Except for federal law and except as otherwise required by North Dakota law, Michigan law applies.”

### **ADDITIONAL DISCLOSURES FOR THE STATE OF RHODE ISLAND**

The following is added to the Cover Page of the Disclosure Document:

EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT “HOME STATE” LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO ANY STATE-SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE OFFERING FOR DETAILS.

Rhode Island Addendum and Item 17 should state: <sup>TM</sup>19-28.1-14, of the Rhode Island Franchise Investment Act provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

### **ADDITIONAL DISCLOSURES FOR THE STATE OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for DUCTZ International, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **ADDITIONAL DISCLOSURES FOR THE STATE OF WASHINGTON**

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. 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.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. 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.
5. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

**EXHIBIT F  
TO FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES**

Location Name	Phone No.	Managing Owner	Address	City	State
DUCTZ of Birmingham	205-408-6000	Jeffrey French	8671 Spruiell Street	Leeds	AL
DUCTZ of North Phoenix and Deer Valley / Tucson & Oro Valley (2 Territories)	623-466-8625	Vince Divarco	20280 North 59th Ave Ste 115-640 / 1517 N. Wilmot Road #197	Glendale/ Tuscon	AZ
DUCTZ of S. Sacramento	916-571-3311	Raouf Alafranji	6334 27 <sup>th</sup> St.	Sacramento	CA
DUCTZ of Polk, Hardee and Highlands	863-968-0333	Gary Henderson	517 Recker Highway	Auburndale	FL
DUCTZ of Tampa Bay (8 Territories)	727-787-7087	Ken Ray	3055 47 <sup>th</sup> Avenue N	St. Petersburg	FL
DUCTZ of E Jacksonville	904-940-5223	Rob Hovis	13720 Old St. Augustine Road, Suite 8-153	Jacksonville	FL
DUCTZ of Boca Raton	954-366-6131	Pisan, David	2161 SW 59th Avenue	West Park	FL
DUCTZ of Greater Orlando	407-294-9640	Andrew Izbicky	3761 Silver Star Road	Orlando	FL
DUCTZ of Greater Atlanta	770-631-2424	Sara Wakeman	116-A Palmetto Road	Tyrone	GA
DUCTZ of Metro East	618-744-0934	Kristen Cochran	4166 Lower Saxtown Rd.	Waterloo	IL
DUCTZ of Noblesville	317-773-9831	Carlton Mills	12377 E. 196th Street	Noblesville	IN
DUCTZ of South Louisiana (6 Territories)	337-237-9608	Robert John Delhommer	121 Luke Street	Lafayette	LA
DUCTZ of The Upper Bay Region	410-692-9775	Scott Jasion	2501 Derby Drive	Fallston	MD
DUCTZ of Southeast Michigan (Company-Owned location, 5 Territories)	734-402-0442	Dean Boomer	36955 Amrhein Rd	Livonia	MI
DUCTZ of Mid Michigan (3 Territories)	517-499-6692	Doug Warren	P.O. Box 432	Spring Arbor	MI

Location Name	Phone No.	Managing Owner	Address	City	State
DUCTZ of NE Metro St. Paul (2 Territories)	651-408-1900	Terry Helinsky	2009 W. Broadway Ave Ste. 400-128	Forest Lake	MN
DUCTZ of West St. Louis (2 Territories)	314-631-6700	Patty Clisham	240 Magee St,	Troy	MO
DUCTZ of Jackson and Southwest Mississippi	601-373-8066	Stan Winborne	392 Dale Trail	Brookhaven	MS
DUCTZ of Rockingham County	603-969-2202	Thomas Conlin	1247 Washington Rd. Unit 25	Rye	NH
DUCTZ of Orange & Chatham County	919-942-4900	James Asbill	P.O. Box 592	Carrboro	NC
DUCTZ of Uptown Charlotte and Lake Norman	704-498-0598	Andrew Akerblom	19701 Bethel Church Rd #103-189	Cornelius	NC
DUCTZ of Asheville and Hendersonville	828-489-6792	Wade Patterson	638 Spartanburg Hwy, Suite 70-204	Hendersonville	NC
DUCTZ of Raleigh	252-723-0242	Brian Scott	837 Sunshine Road	Kenly	NC
DUCTZ of Naples and Bonita Springs*	571-445-2043	Nunez	401 Charleston Dr	Clayton	NC
DUCTZ of Monmouth and Central New Jersey (2 Territories)	732-256-9194	David Marsh	1933 Hwy 35, #105-144	Wall	NJ
DUCTZ of Long Island (3 Territories)	516-780-7116	John Falvey	125 Toledo Street	Farmingdale	NY
DUCTZ of S. Cincinnati - Covington	513-245-8040	Jim Keck	2344 Kemper Lane, P.O. Box 6093	Cincinnati	OH
DUCTZ of Cleveland	330-225-5431	Brandon DeLorge	2792 Nationwide Parkway, Ste.1	Brunswick	OH
DUCTZ of Fairfield/Mason	513-335-5252	Samuel Nance	5483 Lake Michigan Drive	Fairfield	OH
DUCTZ of Miami Valley and Columbus	513-245-8040	Jim Keck	2344 Kemper Lane, P.O. Box 6093	Cincinnati	OH
DUCTZ of Greater Portland and Vancouver	503-658-7324	Joy Lynn Fields, Bronda Fields	P.O. Box 3309	Clackamas	OR
DUCTZ of Greater Lancaster and York Cities	717-735-7020	Gary Arena	5984 Main Street, Suite A	East Petersburg	PA
DUCTZ of the Greater Poconos	570-421-2930	Al Gallucci	221 Skyline Dr., Ste 208	East Stroudsburg	PA
DUCTZ of Delchester	215- 298-9800	Tommy Hoopsick	140 Clover Mill Rd. Ste. 101	Exton	PA

Location Name	Phone No.	Managing Owner	Address	City	State
DUCTZ of North Lancaster and Lebanon Counties	223-244-6400	Dave Kepports	16 Sovereign Circle	Lititz	PA
DUCTZ of Greater Columbia	803-233-4097	Timothy Mozley	1792 South Lake Dr., Ste. 90, Unit 100	Lexington	SC
DUCTZ of Spartanburg/Greenville	864-285-0966	Karl Nilsen	1855 East Main Street, 14-121	Spartanburg	SC
DUCTZ of Charleston	843-771-2908	David A. Adams	1013 Margaret Drive	Ladson	SC
DUCTZ Indoor Air Professionals of Chattanooga, Cle (2 Territories)	865-244-0106/ 423-876-9907	Marc Thompson, Dick Thompson, Joan Thompson	257 North Calderwood Street / P.O. Box 2020	Alcoa/ Hixson	TN
DUCTZ of the Houston Bay Area	832-431-6973	Larry Culver	1811 Plumbwood Way	Houston	TX
DUCTZ of San Antonio	210-825-1766	Thomas Gillette	7122 Oaklawn Dr.	San Antonio	TX
DUCTZ of DFW North (2 Territories)	972-536-1737	Kent Keish	2600 East Southlake Blvd	Southlake	TX
DUCTZ of North Alexandria/Central Fairfax	703-780-3828	Steve Sbitan, David Sbitan	P.O. Box 7426	Alexandria	VA
DUCTZ of Richmond Southside	804-720-9604	Tommy Hoopsick	16420 Jefferson Davis Highway	S. Chesterfield	VA
DUCTZ of Greater Seattle	618-363-3664	Kristen Cochran	300 Lenora St., Suite 4166	Seattle	WA
DUCTZ of the Lower Mainland (2 Territories)	778-600-1410	Kamaldip Rawala	14745 -80A Avenue	Surrey	BC

\*Operates in FL

**EXHIBIT G  
TO FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FORMER FRANCHISEES**

DUCTZ of South Charlotte (2 Territories)	704-846-0668	Rob McManus	9716-B Rea Road, Suite 110	Charlotte	NC
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**EXHIBIT H-1**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FRANCHISE ORGANIZATIONS**

We have created, sponsored or endorsed the following franchise organizations:

Organization	Established	Address	Members
DUCTZ Franchise Advisory Council	March 7, 2007	731 Fairfield Court Ann Arbor, MI 48108	Co-Chairpersons: Jessica Wicks, President: Jessica.wicks@belfrangroup.com) Committee: Patty Clisham, <a href="mailto:patty.elisham@ductz.com">patty.elisham@ductz.com</a> Andrew Akerblom, <a href="mailto:Andrew.akerblom@ductz.com">Andrew.akerblom@ductz.com</a> Carlton Mills, <a href="mailto:carlton.mills@ductz.com">carlton.mills@ductz.com</a> Tommy Hoopsick, <a href="mailto:tommy.hoopsickpa@ductz.com">tommy.hoopsickpa@ductz.com</a> Tim Mozley, <a href="mailto:timothy.mozley@ductz.com">timothy.mozley@ductz.com</a>

**EXHIBIT H-2**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**INDEPENDENT FRANCHISEE ASSOCIATIONS**

As of the date of this Disclosure Document, to our knowledge, there are no Independent DUCTZ Franchise Associations.

## **EXHIBIT I TO THE DISCLOSURE DOCUMENT**

### **FRANCHISEE DISCLOSURE QUESTIONNAIRE**

As you know, DUCTZ International, LLC and you are preparing to enter into a Franchise Agreement for the operation of a DUCTZ franchise. Please review each of the following questions carefully and provide honest responses to each question.

1. Have you received and personally reviewed the DUCTZ International, LLC Franchise Disclosure Document and each exhibit we provided to you? Yes or No \_\_\_\_\_
2. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? Yes or No \_\_\_\_\_
3. Have you discussed operating a DUCTZ franchise with an attorney, accountant or other professional advisor? Yes or No \_\_\_\_\_
4. Do you understand the success or failure of your franchise will depend on many factors including your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace? Yes or No \_\_\_\_\_
5. Has any employee or other person speaking on behalf of DUCTZ International, LLC made any statement or promise regarding the amount of money you may earn in operating the DUCTZ franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes or No \_\_\_\_\_
6. Has any employee or other person speaking on behalf of DUCTZ International, LLC made any statement or promise concerning the total amount of revenue the DUCTZ franchise will generate that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes or No \_\_\_\_\_
7. Has any employee or other person speaking on behalf of DUCTZ International, LLC made any statement or promise regarding the costs involved in operating the DUCTZ franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes or No \_\_\_\_\_
8. Has any employee or other person speaking on behalf of DUCTZ International, LLC made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating a DUCTZ franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes or No \_\_\_\_\_
9. Has any employee or other person speaking on behalf of DUCTZ International, LLC made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Yes or No \_\_\_\_\_
10. If you have answered "Yes" to any of the questions 5 through 9, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing



questions, please leave the following lines blank.

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By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

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

Maryland sales/Maryland residents: The representations, acknowledgements and affirmations in this Exhibit are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Act

Washington sales/Washington residents: This Franchisee Disclosure Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

\_\_\_\_\_  
FRANCHISE APPLICANT  
\_\_\_\_\_, 20\_\_

**EXHIBIT J**  
**State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, 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:

<b>State</b>	<b>Effective Date</b>
California	pending
Florida	Effective
Hawaii	pending
Illinois	pending
Indiana	pending
Maryland	Pending
Michigan	Effective
Minnesota	pending
New York	Exempt
North Dakota	pending
Rhode Island	pending
South Dakota	pending
Utah	Effective
Virginia	pending
Washington	pending
Wisconsin	pending

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

**EXHIBIT K  
TO FRANCHISE DISCLOSURE DOCUMENT  
RECEIPTS**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If DUCTZ International, LLC offers you a franchise, it must provide the Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If DUCTZ International, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the franchise relationship. Michigan and Oregon require that we give you this Disclosure Document at least ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship.

Date of Issuance: March 29, 2024

See Exhibit C for the List of State Administrators and Exhibit D for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 29, 2024, that included the following Exhibits:

- |  |   |
|--|---|
| Exhibit A – Franchise Agreement                  | Exhibit G – List of Former Franchisees            |
| Exhibit B – Financial Statements                 |   |
| Exhibit C – State Administrators                 | Exhibit H-1 – Franchise Organizations             |
| Exhibit D – Agents for Service of Process        | Exhibit H-2 – Independent Franchisee Associations |
| Exhibit E – State Addenda to Disclosure Document | Exhibit I – Disclosure Questionnaire              |
| Exhibit F – List of Franchisees                  | Exhibit J-- State Effective Dates Page            |
|  | Exhibit K-- Receipts                              |

\_\_Jessica Wicks, \_\_Tom Yacobelli and \_\_Sherman Supley of DUCTZ International, LLC, act as our franchise sellers. Their principal business address is 731 Fairfield Court, Ann Arbor, MI 48108 and the telephone number is (734) 864-9799. Please check the Franchise Seller that you worked with.

**Date Received:** \_\_\_\_\_

\_\_\_\_\_  
Signature of Prospective Franchisee

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

\_\_\_\_\_  
Signature of Prospective Franchisee

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

If an entity – Name of entity: \_\_\_\_\_

\_\_\_\_\_  
Signature of Officer

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

You should return one copy of the signed receipt by signing, dating, and mailing it to DUCTZ at 731 Fairfield Court, Ann Arbor, MI 48108 or via email to [legal@belfrangroup.com](mailto:legal@belfrangroup.com), attention Legal and Franchise Administration. You may keep the second copy for your records.

**RECEIPTS**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If DUCTZ International, LLC offers you a franchise, it must provide the Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If DUCTZ International, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the franchise relationship. Michigan and Oregon require that we give you this Disclosure Document at least ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship.

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\_\_\_\_\_  
**Date Received:** \_\_\_\_\_

\_\_\_\_\_  
Signature of Prospective Franchisee

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

\_\_\_\_\_  
Signature of Prospective Franchisee

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

If an entity – Name of entity: \_\_\_\_\_

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

Signature of Officer

Print Name

You should return one copy of the signed receipt by signing, dating, and mailing it to DUCTZ at 731 Fairfield Court, Ann Arbor, MI 48108 or via email to legal@belfrangroup.com, attention Legal and Franchise Administration. You may keep the second copy for your records.