



Franchise Disclosure Document

Flex Franchise

Duraclean International, Inc.

an Illinois corporation
220 W. Campus Drive
Arlington Heights, IL 60004
(847) 704-7100
www.duraclean.com

The franchisee will operate a service business for the professional care, cleaning and restoration in both residential and commercial service centers. The business is a full-time opportunity with the option to expand into new markets and services you desire at your own pace.

The total investment necessary to begin operation of a Duraclean franchise is from \$64,600 to \$114115,900. This includes \$57,900 that must be paid to the franchisor before the business opens.

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.**

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

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

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

Issuance Date: March ~~27~~28, ~~2015~~2016

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit C for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES THAT YOU RESOLVE DISPUTES FOR MONIES DUE AND OWING BY LITIGATION IN COOK COUNTY, ILLINOIS. THE FRANCHISE AGREEMENT REQUIRES THAT YOU RESOLVE DISPUTES OTHER THAN THOSE FOR MONIES DUE AND OWING BY ARBITRATION ONLY IN COOK COUNTY, ILLINOIS. OUT OF STATE LITIGATION/ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE/ARBITRATE WITH US IN ILLINOIS THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT REQUIRES THAT ILLINOIS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOU MUST PAY US A MINIMUM ROYALTY FEE SEMI-MONTHLY, EVEN IF YOUR FRANCHISE BUSINESS HAS NO REVENUE.
4. YOU MUST PURCHASE A MINIMUM AMOUNT OF DURACLEAN PRODUCTS FROM US WHETHER OR NOT YOU CAN USE SUCH PRODUCTS.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: ~~March 31, 2015~~

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Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document "Duraclean" means Duraclean International, Inc., the franchisor. Duraclean does not have a parent, predecessor or affiliate. "You" means the owner, partner, member or officer of the business entity who buys the franchise. Duraclean was founded over eighty-five ~~six~~ years ago in 1930. It does business only under its corporate name. In 1983, the owners organized as an Illinois corporation. Our principal business address is Duraclean International, Inc., 220 W. Campus Drive, Arlington Heights, IL 60004. (Duraclean's agent for service of process is stated in Exhibit D.)

There are approximately ~~290~~284 Duraclean franchises in operation (see Item 20).

Duraclean has developed and authorizes you the opportunity to own and operate a Duraclean service franchise with Primary Marketing Areas, trademarks and copyrights, innovative confidential techniques, proprietary chemical formulas, patented equipment, sales support and on-going assistance. We call this the franchise system with the competitive "Duraclean Difference."

You will be licensed to use the Duraclean name, training, and proven methods to engage in *any* or *all* of the listed profit centers. With these profit centers, you have the opportunity to engage in the business of professional mold remediation for residential and commercial properties. In addition you can perform water restoration for insurance companies plus carpet and upholstery cleaning servicing both the residential and commercial markets. We will assist you in analyzing which profit centers to begin with and when to consider adding additional ones.

The market for Duraclean services includes but is not limited to homes, apartments, condominiums, offices, hotels, motels, institutions and stores.

While Duraclean has offered cleaning franchises since 1946, Duraclean does operate franchises itself but does not have any other business activities. Our resources are exclusive to supporting the Duraclean franchise system.

~~As of the writing of this document there~~ there are no federal regulations specific to the industry in which Duraclean Franchises operate, ~~although you~~. You will be required to comply with Duraclean Standards, ~~and all local,~~ and state laws and federal laws that apply generally to all businesses.

Your competitors include independent service companies, department store service departments, and other cleaning franchises.

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Item 2

BUSINESS EXPERIENCE

Vincent J. Caffarello, President and Treasurer

Came to Duraclean in 1986; his career in the franchise cleaning industry began in 1960. Past president of several cleaning industry associations and a former franchise owner of a diversified cleaning and restoration company.

Wilbur A. Gage, Executive Vice President and Secretary

Started with Duraclean in July 1990. From 1963 to March 1988 he was Owner and General Manager of Magikist Carpet & Rug Cleaners, Chicago, Illinois, the largest rug cleaning company in the Midwest.

Danielle Canup, Vice President

Began her career with Duraclean in May of 1989 in the General Office Area and was promoted to Administrative Assistant in the Franchise Marketing Department in December of that year. She became Administrative assistant to the Vice President in 1990, became Assistant to the President in 1998, to Director of Administrative Services in 2005, and to her present position in 2013.

Michael W. Higgins, Director of Market Expansion & Development

Started at Duraclean in March 2014. Prior to Duraclean from November 2013 to February 2014 Mike was a sales representative for Safe Step Tub in Burnsville, Minnesota and from August 2013 to November 2013 was Franchise Development Director for Re-Bath Corporation in Tempe, Arizona responsible for franchise recruiting. From July 2000 to March 2013 Mike was Director of Franchise Development for Roto-Rooter Corporation, West Des Moines Iowa, in charge of domestic and international franchise recruitment, operations, and administration.

Mary Lavanholi, System Development Manager

Has been with Duraclean since 1988. She came to us as a System Analyst from a national company. She is directly responsible for the support of Duraclean's Business Management System and On-line software for franchisees.

David Marienau, Director of Technical Services

Started at Duraclean in April 2003. From September 2001 – April 2003 worked at Service Master Clean in Northbrook, IL and after 3 short months was promoted to Crew Chief. As Technical Service Manager at Duraclean David has been certified in many fields of the industry, responsible for training new employees on all aspects of the job, responsible for overseeing job completion and completing jobs himself. David was recently promoted to Director of Technical Services.

Cindy Gillespie, Administrative Services

Cindy came to Duraclean in March of 2012. Prior to coming to Duraclean, Cindy worked at Optimus Executive Search in Arlington Heights Illinois as an administrative assistant and then promoted to office manager from 2005 through 2012. Cindy's duties include customer service, marketing and other administrative duties.

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Item 3

LITIGATION

Actions

Vincent J. Ammirato, Gary J. Kulik, Kenneth H. Salbu and Robert J. Murphy v Duraclean International, Inc., U.S. District Court for the Eastern District of New York, Case No. CV 07-5204 (TCP) (ARL), Filed October 22, 2007.

The Plaintiffs were unknown to Duraclean International, Inc. They brought suit against us for non-payment of loans they claim to have made to Duraclean International, Inc. which we now understand have been made to a former franchisee terminated by Duraclean International, Inc. The allegations include deceptive trade practices and the operation of an illegal enterprise. The plaintiffs sought damages in the aggregate amount of the loans totaling \$625,000, interest, punitive damages, treble damages and costs and attorney's fees. We filed an answer denying the allegations of the complaint and vigorously defended our position at trial which concluded on October 8, 2010.

On July 13, 2011 United States Magistrate Judge Arlene Rosario Lindsay found in favor of Duraclean International, Inc. as the plaintiffs failed to prove their claim.

Other than this action, 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

The initial Franchise Fee is \$19,500. When the franchise agreement is signed all applicants pay a lump sum payment of \$ 57,900 which includes the Franchise Fee, training at our corporate headquarters and in your territory, manuals, vehicle graphics, printing, at our corporate headquarters and in your territory, and the first year subscription to Duraclean's web based computer software "RoutePoint". With this payment you can offer and provide any of the services supported by Duraclean.

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

The franchise opening is immediate upon the completion of Duraclean's pre-opening obligations. Duraclean franchisees work from home and begin immediately upon receipt of their equipment and training. Some franchisees are conversions, already equipped to provide service and many begin their Duraclean business by marketing prior to attending training.

To purchase the Franchise you make an initial payment of \$38,400. plus the entire cost of additional equipment, supplies and materials ordered with the balance of \$19,500. to be paid upon your arrival for training. A portion of the initial payment for equipment may be leased with approved credit. All payments are non-refundable.

All Duraclean prices are in United States dollars. Add taxes and shipping to above payments where applicable.

Item 6

OTHER FEES

Type of fee	Amount	Due Date	Remarks
Franchise Royalty*	A minimum plus a percentage of total gross sales ¹ as follows: \$ 83 minimum for up to \$ 500 of revenue produced plus 8% of sales over \$ 500 and below \$ 3000; plus 6% between \$ 3000 and \$6000 and; plus 2% of all sales over \$6000.	Fifteenth & last day of the month	1./
Supplies*	Minimum of \$1250 Annually	During the year	See Item 8
Additional Items*	Varies	When Purchased	2./
Franchise Expenses	Varies	Varies	Advertising, Insurance, State & Local Taxes
Late Payment*	1-1/2% interest	Monthly	Unpaid Amount
Transfer of Franchise Ownership*	\$13,250.	When you sell your franchise	Transfer fee comes from your Franchise sale income
Costs & Attorneys' fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement
Indemnification	Will vary under circumstances	As incurred	You are solely responsible to customers for services performed
Administrative services*	Varies	As incurred	3./
RoutePoint Software annual renewal*	\$1,095.	Annually	Payable in advance annually

* These fees are enacted by and are payable to Duraclean and are uniformly imposed.

All fees and purchase prices above are non-refundable and subject to change in the future. Franchised outlets have no voting power with respect to any fees imposed.

1./ The Franchise Royalty is compensation for use of the Duraclean marks and continuing services. Developed from over 85 years of experience and designed to build customer confidence, cut your operating costs and help bring service jobs to you, these services include continuous training, education, research and support. Your share of Duraclean's Franchise Royalty program to be reported via e-mail utilizing the Duraclean RoutePoint software reports and to be paid semi-monthly is \$ 83 minimum for up to \$ 500 of revenue produced plus 8% of sales over \$ 500 and below \$ 3000; plus 6% between \$ 3000 and \$6000 and; plus 2% of all sales over \$6000.

Duraclean representatives may visit you at any reasonable time to determine that equipment, vehicles, place of business, signs and advertising are in keeping with Duraclean Standards as specified in the Duraclean Instruction Manuals and the Agreement. Representatives may audit business records, reports, tax returns, bank statements and make copies of record. You agree to preserve business records in accordance with generally accepted accounting principles for seven years.

2./ One of the features of the Duraclean franchise is your flexibility to expand into services at your own pace with no additional Franchise Fee. When establishing your franchise, you may purchase Duraclean equipment, chemical and business-building materials for additional Service Centers. This flexibility may allow you to begin your business by paying the franchise fee and buy the items necessary for expansion into any Service Center desired. See Exhibit K1 for more details.

3./ You are responsible for administrative service fees incurred such as Adding a Partner, Dropping a Partner, special Computer Support, returned checks, restocking charges and wire transfer fees as outlined on the then current Duraclean Fees and Services form. These fees are due if and/or when the service is incurred. For the current Fees and Services form please see Exhibit K2.

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
Franchise Fee	\$19,500	Lump Sum	With Franchise Agreement	Duraclean Int'l
Opening Inventory (6)	\$ 38,400	As Agreed	With Franchise Agreement	Duraclean Int'l
Additional Items (7)	\$0 - \$48670	As Agreed	As Incurred	Duraclean Int'l
Business Liability Insurance (1)	\$1,500 - \$3,000 500(annually)	As Agreed	As Incurred	Third Parties
Business Vehicle Insurance (1)	\$1,200 - \$3,000 <u>500</u>	As Agreed	As Incurred	Third Parties
Business Vehicle (4)	\$0 - \$30,000	As Agreed	As Incurred	Outside Supplier
Training Expenses (5)	\$0 - \$1,000	As Incurred	As Incurred	Third Parties
Additional Funds – Initial 6 Month Period (3)	\$6,000 - \$20,000	As Incurred	As Incurred	Third Parties
Total Estimated Initial Investment (2)	\$64,600 - \$114 <u>115</u> ,900			

Neither Duraclean nor its affiliates lease equipment however, a portion of the initial payment for equipment may be leased from third parties with approved credit. All payments are non-refundable.

Explanatory Notes

1. You may obtain your business liability insurance locally from your own agent or in most states from Allstate Insurance Company and Gemini Insurance under the Duraclean DURASURE Business Insurance Program, a group property / casualty insurance plan. The monthly cost for this coverage is estimated to range from \$125 to \$500 and is dependent upon the operations, geographic location and payroll of your franchise. The property damage deductible, for 'property while being worked on', under the group plan is \$500. Coverage for 'property while being worked on' protects

you from losses to your customers' goods while in your care for cleaning.

~~Allstate also offers insurance~~ Insurance coverage for service vehicles and worker's compensation is also offered under the DURASURE Business Insurance Program. The service vehicle program offers deductibles from \$250 for comprehensive and collision coverages and includes no-fault and uninsured motorist coverage where required by law. The insured vehicle is to be used for business purposes only and all drivers operating it with your permission are insured. Depending upon the carrier and the franchise location, franchisees are currently obtaining this insurance coverage for approximately \$ 75 to \$ ~~200-300~~ per month per vehicle. Worker's compensation coverage is pursuant to applicable state statute.

Requests for insurance quotes will be handled directly by Allstate/~~Gemini~~. To obtain information on the Duraclean DuraSure insurance product please call **(800) 461-9414346-1031**. You may speak with ~~Kevin Rouse~~ **Brent Konieczny**. You may find it easier to obtain information by e-mailing ~~Kevin Brent~~ at ~~kevinrouse@allstate.com~~ **bkonieczny@bisa-inc.com**.

Duraclean has no financial interest in Allstate Insurance Company, Gemini Insurance Company or Bonding & Insurance Specialists Agency, Inc. and receives no payments from them.

2. Franchise owners generally start operations from their homes and move to other quarters when their business outgrows the home environment. When you operate your franchise from your home, you will not have expenses for such items as real property, leasehold improvements, fixtures, construction, remodeling and security deposits. Duraclean cannot reasonably estimate your required expenditures when you determine not to operate the franchise out of your home. The amounts will vary depending upon the type of location you select, whether purchased or leased and whether or not remodeled and furnished.
3. This item estimates your initial six month start-up expenses. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill and business experience; local economic conditions; the local market for your services; competition; and the sales level reached during the initial period. These estimates are based on Duraclean's ~~eighty-five~~ six years of experience.
4. You may use your existing white van, you may purchase a used white van or you may choose to begin your business with the purchase or lease of a new white van.
5. You are responsible for additional travel expenses that may be incurred during Duraclean's Success Institute.
6. This amount includes equipment, solutions, supplies, manuals, vehicle graphics, printing, a business website template and the first year subscription to Duraclean's web based computer software "RoutePoint."

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To maintain quality standards throughout the Duraclean Franchise System, you are obligated to purchase from Duraclean only the service equipment, chemical concentrates and materials required to provide the highest quality of service guaranteed by franchisees and Duraclean in their advertising to consumers. In the year ending December 31, ~~2013~~ 2015, Duraclean's revenues from the sale of equipment, supplies and chemical to franchisees were ~~\$180,959~~ 123,636, or ~~44.938.8%~~ < 44.938.8% of Duraclean's ~~\$1,517,011~~ 1,403,520 total revenue. Duraclean Officers do not own an interest in any of its suppliers.

To preserve the goodwill associated with Duraclean trade names and service marks and to protect Duraclean from potential claims for damages arising out of the use of other service equipment or cleaning materials, you agree to use only Duraclean approved methods, equipment, chemicals, materials, uniforms, vehicle signing and standards, as in the Duraclean Standards Manual and in the Duraclean Instruction Manuals which are issued to you. These specifications include equipment, chemical, and service standards. No substitutes or additives are permissible unless you can satisfy Duraclean that machines and/or concentrates available to you from other sources meet Duraclean's laboratory specifications to maintain high standards for quality, safety to fibers and fabrics, colors, and performance. Duraclean believes it unlikely that you will be able to find equipment or chemicals meeting Duraclean's standards at a cost competitive with the prices at which Duraclean offers such equipment and chemicals to its franchisees.

Before purchasing or using any materials, from unauthorized suppliers, you must submit a sample to Duraclean for testing and approval. Duraclean will pay for the costs of these tests. The approval of these samples will not be withheld unreasonably and you will be notified in writing typically within 30 days.

You will adhere to the highest standards of honesty, integrity, fair dealing and conduct in operating your business. You will not engage in any business or advertising practice which might injure Duraclean's business or the goodwill associated with the Duraclean marks or the Duraclean system.

You agree to purchase a minimum amount of Duraclean chemical concentrates and solutions, equipment, supplies, marketing material and parts (excluding royalty, service charges, postage, freight, handling and labor) each calendar year (currently \$1,250) starting on January 1 of the calendar year following date franchise is established. Any shortfall will be billed to you after year's end. This assures franchisees in the franchise system that all franchisees use products which meet Duraclean laboratory standards for quality, performance and safety to fibers, fabrics and colors.

It is estimated that the required purchases are less than 25% of the total purchases you will make for establishing and operating the franchise. Duraclean does not receive payments from designated suppliers and there are no purchasing or distribution cooperatives currently in existence.

You agree to carry the following insurance coverages at all times with an insurer satisfactory to Duraclean:

- a. Workmen's Compensation and Employers Liability as prescribed by law in the state or province in which business is conducted.
- b. Comprehensive general liability insurance including liability and medical expenses, personal and advertising injury, fire legal liability - fire, lightning, or explosion with the following minimum limits:

Liability & Medical Expenses	\$1,000,000.
Medical Expenses / any one person	\$ 10,000.
Personal & Advertising Injury	\$1,000,000.
Fire Legal Liability	\$ 300,000.
Aggregate Limits	
Products - Completed Operations	\$2,000,000.
General Aggregate	\$2,000,000.

- c. Automobile liability insurance for both owned and non-owned vehicles with the following minimum limits:

Liability	\$1,000,000.	per occurrence
Un Insured Motorists	\$1,000,000.	as required by statute
Under Insured Motorists	\$1,000,000.	as required by statute

Duraclean must be named as an additional insured with an appropriate Franchisor additional insured endorsement on each insurance policy. You will furnish Duraclean with proof of coverage upon request.

If you decide to pursue Mold Remediation or specialize in Water Damage Restoration ~~profit centers~~ Duraclean ~~recommends~~ requires that you purchase Contractor's Pollution Liability Insurance (\$1,000,000) in addition to that coverage required above.

We may issue and alter minimum franchise system specifications, requirements and standards for technology, software, design, quality and/or performance, from time to time, by changes in or additions to the Instruction Manuals or by other reasonable notice. Typically we do not negotiate purchase arrangements with suppliers or otherwise provide material benefit based on your use of designated sources or for your purchase of particular products or services.

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.

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section III.	Item 7, 11, 12
b. Pre-opening purchases/leases	Section I & III	Item 7, 11
c. Site development and other pre-opening requirements	Section III	Item 7, 11, 12
d. Initial and ongoing training	Section I & II	Item 11
e. Opening	Section III	Item 7, 8
f. Fees	Section II & IV	Item 5, 6
g. Compliance with Standards and policy/ Operating Manual	Section III	Item 6, 8
h. Trademarks and proprietary information	Section II & III	Item 13 & 14
i. Restrictions on products/ services offered	Section III	Item 8 & 16
j. Warranty and customer service requirements	Section III	Item 8

Obligation	Section in Franchise Agreement	Disclosure Document Item
k. Territorial development and sales quotas	Section III	Item 12
l. Ongoing product/ Service purchases	Section III	Item 6, 8
m. Maintenance, appearance and remodeling requirements	Section III	Item 7
n. Insurance	Section III	Item 7
o. Advertising	Section I & II	Item 11
p. Indemnification	Section IV	Item 10
q. Owner's participation/ management/ staffing	Section III	Item 15
r. Records/ reports	Section III	Item 6
s. Inspections/ audits	Section III	Item 6
t. Transfer	Section V	Item 17
u. Renewal	Section VI	Item 17
v. Post-termination obligations	Section VI	Item 17
w. Noncompetitive covenants	Section VI	Item 17
x. Dispute resolution	Section VII	Item 17
y. Owners/Shareholders Guarantee	Signature Page Exhibit A-3	Item 15

Item 10

FINANCING

Summary of Financing Offered

Duraclean does not offer financing.

Duraclean does not arrange financing from other sources however, a portion of the initial payment for equipment may be leased from third parties with approved credit.

Duraclean does not have any past or present practice to sell, assign or discount to someone else, in whole or in part, any note, contract or other instrument signed by you, but it reserves the right to do so in the future.

Duraclean does not receive direct or indirect payments for placing financing.

Duraclean does not guarantee your obligations to third parties.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING,
COMPUTER SYSTEMS and TRAINING

Except as listed below, Duraclean is not required to provide you with any assistance.

Pre-opening obligations – before the opening of the franchised business Duraclean will:

1. furnish *confidential* Duraclean Instruction Materials with diagrams and photographs explaining step by step how to render each service, how to market customers, how to operate *every phase* of the business. (Franchise Agreement Section I.1)
2. provide you with of instruction at Duraclean's *Success Institute* to learn methods of operating your franchise. (Franchise Agreement Section I.2)
3. provide you with vehicle graphics, personalized printing, marketing materials and your first year's subscription for RoutePoint to operate and grow your service business. (Franchise Agreement Section I.4, Section I.8 & Section I.13)
4. assign you a jointly determined marketing area, called a Primary Marketing Area, where you must maintain a telephone and a street address or post office box address for customer contact purposes. (Franchise Agreement Section III.8)

Franchises typically open their business 30 – 45 days after the Agreement is signed or the first payment of consideration, whichever is earlier. The franchise opening is immediate upon the completion of Duraclean's pre-opening obligations. Factors that may affect opening time include financing, weather conditions, shortages, and the installation of vehicle graphics.

Post-opening obligations – during the operation of the franchised business, Duraclean will:

- 1) Provide a business website template including hosting and optimization for 12 months to help you with visibility in your market.
- 2) Furnish business builders such as full-color ad mailers, various sales folders, 4-color "business-getting" postcards, quotation pads and cooperating retailer programs. (Franchise Agreement Section I.5)
- 3) Furnish business building materials imprinted with your franchise name, address and telephone. This includes envelopes, letterhead and business cards. (Franchise Agreement Section I.6)
- 4) ~~Send letters to a list of cooperating retailers provided by you, from Duraclean on behalf of your new business. You follow up with personal presentations of Duraclean services. (Franchise Agreement Section I.7)~~

- ~~5)4)~~ Pay for Duraclean image wear, consisting of two hundred dollars toward the purchase of shirts, slacks, etc. (Franchise Agreement Section I.9)
- ~~6)~~ Provide direct mailing instruction with step by step guidance to help develop customer leads. (Franchise Agreement Section I.10)
- ~~7)5)~~ Provide electronic reports, record forms and files (Franchise Agreement Section III.13 & III.14)
- ~~8)6)~~ Make available newspaper and yellow page examples ~~ready for you to use~~. We will advise what forms of advertising and procedures can be most helpful for you, based on successful experience. (Franchise Agreement Section I.11 & Section I.12)
- ~~9)7)~~ Maintain an advisory staff of experienced specialists at Franchise Headquarters. (Franchise Agreement Section II.3)
- ~~10)8)~~ Conduct Success Institute graduate courses, sales training seminars and regional workshops for franchise owners from coast to coast and international conventions so that you can exchange experiences with other franchise owners, hear expert speakers, get answers to questions and keep up-to-date on new developments in the industry. You are encouraged to attend these meetings; you pay only your own travel and living expense. (Franchise Agreement Section II.4 & Section II.7)
- ~~11)9)~~ Maintain experienced, trained people who help you with services and marketing programs in the field. (Franchise Agreement Section II.9)
- ~~12)10)~~ Publish the Duraclean on-line *JOURNAL* and periodic bulletins that provide the latest technical information, sales aids and other business-builders exclusively for Duraclean franchise owners. (Franchise Agreement Section II.6)
- ~~13)11)~~ Update Duraclean Instruction material. (Franchise Agreement Section II.5)
- ~~14)12)~~ Maintains both chemical and equipment research and development to improve your services; also, to aid you on any unusual service situation. (Franchise Agreement Section II.13)
- ~~15)13)~~ Warrant equipment to be free from obvious defects in material and workmanship for a period of six months from the date you receive it and during this period will send you replacement parts in exchange for defective ones. (Franchise Agreement Section II.14)
- ~~16)14)~~ Provide a complete line of high quality chemical concentrate products, specially formulated for use with each piece of equipment. (Franchise Agreement Section II.11)
- ~~17)15)~~ Provide equipment and supplies used to provide services supported by Duraclean. (Franchise Agreement Section I.4; Section III.11)

Advertising - While there is no advertising requirement, Duraclean develops advertising and promotional programs and provides local support material. Duraclean will:

- a) Outline marketing, advertising, and promotional programs based on many years of experience in the cleaning field for you to implement in local markets. (Franchise Agreement Section I.12)
- b) Contact carpet mills, furniture manufacturers, and similar businesses to communicate the superior qualities of Duraclean processes to such firms. (Franchise Agreement Section II.18)

Computer Systems - Duraclean RoutePoint Software. Duraclean requires the use of its web based software package (first year service included with your initial purchase, the current annual cost for a single user renewal is \$1095) that delivers sales, marketing and management functions to your business through a powerful program that's organized for ease of use. This software was developed to incorporate all your business needs including estimates, invoices, customer files, letters, labels, scheduling, accounts receivable, business analysis reports, work orders, invoices and statements. RoutePoint Software is supported by Duraclean's own System Development Manager. Duraclean's support can include evaluating your present hardware or helping you scope out new hardware which can be purchased for \$600 or more, depending on your personal requirements. The hardware required to utilize RoutePoint Software is as follows:

- Intel Core2Duo or equivalent CPU, 2 GHZ or faster
- 2 GB RAM recommended
- 1280x1024 or higher resolution recommended
- Microsoft Windows Vista, Windows 7 or Windows 8 (8RT not supported), Microsoft Internet Explorer 9.0 or higher
- Internet Access connection with adequate downstream bandwidth is required

You must provide all assistance required to bring RoutePoint on-line at the earliest possible time and to maintain this connection as we require. We may retrieve from your RoutePoint System all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information. (Franchise Agreement Section I.4)

Training - The Table of Contents for Duraclean Manuals as of the date of this disclosure document can be found in Exhibit K3.

Duraclean will provide a ten-day Success Institute including five days in Arlington Heights at the Corporate Headquarters and five days in your Territory as described in the following table:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Carpet Cleaning	1	4	Arlington Heights
Upholstery Cleaning	1	2	Arlington Heights
Solution Comparisons	1		Arlington Heights
Water Damage Restoration	2	5	Arlington Heights
Mold Remediation	2	2	Arlington Heights
RoutePoint System	3.5		Arlington Heights
Marketing	6	5	Arlington Heights
Management	2		Arlington Heights
Working With Numbers	2		Arlington Heights
Safety & Health	1.5		Arlington Heights
Office Setup	1		In Your Area
License Review	.5		In Your Area
Insurance Review	.5		In Your Area
RoutePoint Review		1	In Your Area
Area Market Review		4	In Your Area
Marketing Asset Review	2	2	In Your Area
Prospect Visits	2	15	In Your Area
Review of Visits/Follow-up	3		In Your Area
Set Up Follow Up Calls	2		In Your Area
Marketing Calendar	4		In Your Area

The Success Institute is held approximately five times each year in Arlington Heights, Illinois, at which you can learn service, salesmanship, advertising and methods of operation including “in-the-field” instruction in a friendly, relaxed atmosphere. There is no registration charge for attending. Do to the proprietary information contained in the training only individuals whose name is on the agreement will be allowed to attend. Members of the staff who are instructors collectively have over one hundred years of

experience in the industry. The *Success Institute* is directed by Vincent J. Caffarello, President of Duraclean. Duraclean will pay room and board expenses for you, your spouse and partners authorized on the agreement who are registered in advance and Duraclean will give you one (1) round trip air ticket to Chicago, or pay car mileage allowance at .45 per mile up to value of air fare. You are responsible for additional expenses during Duraclean's Success Institute. During this period you will develop a step-by-step business plan with Duraclean's staff of experienced professionals, many of whom have operated businesses offering the same services you will be offering, to help you in the orderly and efficient start-up of your business. Talk with your counselors about your situation but it is generally recommended that, several weeks before you attend the Success Institute, you receive your equipment and supplies so you will be familiar with items and procedures when you arrive for the Success Institute training. You should avail yourself of the above described programs soon after commencing operations. You are required to attend the Success Institute within two months after you sign the Franchise Agreement. (Franchise Agreement paragraph I.3).

Duraclean supports the following services with processes, equipment and products. (Franchise Agreement paragraph I.5)

Carpet and basic Upholstery Cleaning*	Fire and Smoke Damage Restoration
Water Damage Restoration*	Janitorial Cleaning
Advanced Upholstery and Drapery Cleaning	Hard Surface Floor Cleaning
Mold Remediation	Duct Cleaning
Tile and Grout Cleaning	Trauma Cleanup*

- Basic Franchise Training - outlined above as Duraclean Success Institute Training Program

Item 12

TERRITORY

You and Duraclean jointly will determine a custom designed location in which you will operate one Duraclean Franchise (the "Primary Marketing Area"). To establish the Primary Marketing Area for which there is no minimum size, a number of factors are taken into account, such as population of the area, the number of residential households by income strata, market potential for commercial business, etc. You will concentrate your sales and servicing efforts in your assigned Primary Marketing Area, which does not necessarily need to be the city or town in which you reside. However, you must maintain a telephone and a street address or post office box address within the assigned Primary Marketing Area for customer contact purposes. (Franchise Agreement paragraph III.8)

Duraclean will approve the relocation of the franchise when the territory requested can support the addition of a Duraclean Franchise without conflict.

The right of first refusal to purchase specific additional limited available franchise territories may be agreed to when the Primary Marketing Area is designed however Duraclean is not required to offer the right of first refusal to purchase additional territories.

When possible, the Primary Marketing Area is designed for just one Franchise. The Primary Marketing Area is nonexclusive; you will not receive an exclusive territory; you may face competition from other franchisees, from franchises that we own, or from other channels of distribution or competitive brands that we control however, Duraclean will not establish additional franchises in an Area where it believes the existing franchise owner(s) have adequate Duraclean customers or have a marketing plan with Duraclean in place to service the Area with continued minimal growth.

If you default on your franchise agreement or your Primary Marketing Area agreement Duraclean may modify your territorial rights.

Duraclean reserves the right to use other channels of distribution, such as the internet, telemarketing, or other direct marketing sales, to make sales of products or services within the Primary Marketing Area using Duraclean's principal trademarks or trademarks different from the ones you will use under the franchise agreement. Dependent upon your involvement in the services provided and by agreement compensation may be paid to you however Duraclean is not required to pay such compensation.

Item 13

TRADEMARKS

Duraclean grants you a nonexclusive license to operate a cleaning service franchise under the name Duraclean. You may also use our other current or future trademarks to operate your franchise. By trademark Duraclean means trade names, trademarks, service marks and logos used to identify your business services and products.

The following trade names, service marks and trademarks used in the Duraclean System are registered with the United States Patent and Trademark Office, as follows:

	<u>Registration Date</u>	<u>Registration Number</u>	<u>Register</u>	<u>Renewal Date</u>
DURACLEAN	June 19, 1945	414,651	Principal	June 19, 2015
DURACLEAN	Nov. 29, 2005	3,019,689	Principal	Nov. 29, 2015 <u>2025</u>
SPOTCRAFT	Nov. 11, 1958	669,729	Principal	Nov. 11, 2018
DURACLEAN	April 6, 1965	787,956	Principal	April 6, 2015 <u>2025</u>
DURASHIELD PLUS	July 5, 1983	1,244,802	Principal	July 5, 2023
DURASHIELD PLUS	Sept. 18, 1984	1,295,310	Principal	Sept. 18, 2024
"Rose Flower Symbol"	May 10, 1983	1,237,678	Principal	May 10, 2023
FLOWER-FRESH	Aug. 21, 1984	1,291,488	Principal	August 21, 2024
FABRICRAFTER	July 9, 1985	1,347,221	Principal	July 9, 2015 <u>2025</u>

Duraclean has filed all affidavits of use for its principal trademarks.

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The Name and Mark "Duraclean" is registered in all fifty States as follows:

	Registration Date	Registration Number	Renewal Date		Registration Date	Registration Number	Renewal Date
AL	3/11/58	109129	1/30/19				
AK	10/27/60	243	3/22/19	NE	1/16/58	1000127583	9/24/20
AZ	1/6/58	12881	1/05/08	NV	1/27/58	N/A	1/9/17
AR	1/6/58	800030456	3/25/19	NH	1/27/58	N/A	11/6/19
CA	2/6/58	107922	1/24/17	NJ	1/20/58	9655	4/4/17
CO	1/27/58	20081641219	12/10/18	NM	3/20/58	5379	3/20/08
CT	3/19/58	20990	7/05/15 <u>20</u>	NY	3/5/58	R-29829	2/17/22
DE	1/21/58	N/A	2/22/19	NC	3/10/58	444	1/1/20
FL	1/21/58	T08000001398	12/19/18	ND	1/21/58	12468	1/21/18
GA	1/8/58	T-869	1/8/08	OH	3/8/58	3132	12/17/18
HI	11/9/60	4022013	4/21/19	OK	1/6/58	32104	1/17/22
ID	1/27/58	19510	5/29/18	OR	3/11/58	T-13227	7/6/19
IL	6/7/58	067364	9/24/15 <u>20</u>	PA	3/4/58	2945745	3/1/ 15 <u>20</u>
IN	1/27/58	2008-0392	5/28/18	RI	3/24/58	75-10-32	10/1/16
IA	1/14/58	W00523694	4/02/17	SC	1/22/58	N/A	5/16/17
KS	1/20/58	17949	5/5/19	SD	1/28/58	N/A	3/26/ 8 <u>18</u>
KY	1/27/58	16983	6/10/18	TN	1/21/58	9000015808	1/21/18
LA	1/22/58	N/A	12/18/18	TX	1/27/58	800985343	5/29/18
ME	1/27/58	19800269M	12/31/20	UT	1/28/58	7452093-0190	8/27/19
MD	1/27/58	90-7274	10/9/20	VT	1/6/58	3642	5/07/17
MA	2/10/58	4986480274	12/16/14 <u>1/29/20</u>		1/22/58	2357	2/15/17
MI	1/28/58	M47-009	12/29/18	WA	3/13/58	32202	3/10/19
MN	4/2/58	598	4/24/21	WV	1/18/58	N/A	perpetual
MS	1/27/58	10077757	6/24/18	WI	1/6/58	10300	11/14/97
MO	1/10/58	00474	5/6/22	WY	1/27/58	245277	12/19/13
MT	1/17/58	22009	1/22/17				

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In addition to Federal and State registrations in the United States, the Name and Mark "Duraclean" is also registered or applications are pending in selected countries as follows:

	Registration Date	Registration Number	Renewal Date
Argentina	09-07-2006	2111892	09-07-16
Argentina	09-07-2006	2111893	09-07-16
Australia	11-03-87	A475836	11-03-18
Benelux	11-10-87	436290	11-10-17
	04-21-78	352080	04-21-18
Brazil	06-01-93	817303502	12-06-24
	09-04-96	819463477	05-25-19
Brunei	09-01-97	TMA28188	09-01-24
Canada	06-29-55	100896	06-29-1530
China	11-28-99	1339957	11-27-19
Cyprus	07-26-94	40635	07-26-15
Ecuador	09-15-95	1818/98	11-23-18
Finland	08-18-65	45197	08-18-15
Great Britain	10-15-65	885606	10-05-20
	11-10-87	1326444	11-10-24
Indonesia	07-30-94	341450	07-30-24
Ireland	06-19-67	71902	06-19-22
Italy	10-16-69	252918	10-16-19
Japan	02-14-95	4065325	10-03-17
Jordan	03-23-89	27033	02-23-20
Malaysia	08-30-97	97012363	08-30-24
Mexico	10-1-14	1533125	application
	01-25-05	698634	01-25-25
Nigeria	02-19-81	38869/81/3	application
Norway	12-23-64	65363	12-23-24
Panama	09-05-00	109766	09/05/20
Saudi Arabia	12-17-80	111/62	01-23-20
Singapore	08-28-97	97/10579	08-27-17
South Korea	04-30-84	4391	04-30-24
Trinidad	02-17-81	12535	02-16-19
Turkey	10-04-94	154350	10-06-24

Duraclean retains sole ownership of the Names and Marks that it has developed and may develop in the future. We know of no "effective material determination" of the Patent and Trademark Office, trademark trial and appeal board, or the trademark administrator of this state or any court; pending infringement, opposition or cancellation; pending material litigation, and/or any superior prior right. No agreements limit Duraclean's right to use or license the use of Duraclean's Names and Marks.

It is the policy of Duraclean to take actions necessary to protect the Names and Marks although the Agreement does not specifically require us to do so. When you learn about an infringement of or challenge to your use of our trademark you must notify Duraclean immediately. In the past, Duraclean has taken legal action, when necessary, to stop others from the use of a name that was confusingly similar to the name "Duraclean."

Duraclean does not know of any superior or infringing uses that could materially affect your use of Duraclean's Names and Marks.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Duraclean holds three U. S. patents.

U. S. Patent 4,330,086 was issued on May 18, 1982. It describes a unique foam nozzle, its method of generating foam and how it is used in the Duraclean carpet cleaning machines. Foam bubbles have 20% to 30% less moisture compared to liquid cleaning sprays and the foam is applied and removed instantaneously. As a result, carpets become cleaner and dry faster.

U. S. Patent 4,360,946 was issued on November 30, 1982. It describes the unique apparatus and method for the Duraclean Extractovator® used for cleaning floor coverings. An innovative double overlap of the spray pattern eliminates streak marks on carpet. Shorter dwell time keeps carpet drier.

U. S. Patent 4,974,618 was issued on December 4, 1990. It describes how the Duraclean Fabricrafter® upholstery cleaning process extends the Duraclean "keep the fabric dry" objective. A unique "moving belt of compressed foam bubbles," along with safe cleaning products produces a clean, almost dry fabric surface on furniture, oriental rugs, etc.

Duraclean retains sole ownership of the patents and copyrights that it has developed and may develop in the future. Duraclean's right to use these patents and copyrights is not materially limited by any agreement or infringing use.

The Duraclean Service Equipment, with the Duraclean foam bubbles, is used exclusively by authorized Duraclean franchisees.

All three patents contribute to the "Duraclean Difference."

The Duraclean on-line Journal provides the latest industry information as well as news about the Franchise system. Duraclean intends to copyright © each new Journal as it is published. You receive the right to use the proprietary information in Duraclean manuals. The Duraclean manuals are described in Item 11. Although Duraclean may or may not have filed an application for a copyright registration for each of these manuals, it claims a copyright and the information is proprietary. Item 11 describes limitations on the use of these manuals by you and your employees. Duraclean intends to renew these copyrights.

The knowledge you obtain about the Duraclean processes, products, services, technology and the operation of the Duraclean franchise comes from information disclosed to you by us. This information is proprietary, confidential and a trade secret. Our Agreement provides that you maintain the absolute confidentiality of all such information during and after the term of the Agreement. Duraclean will not license to others outside the Duraclean Franchise System any rights in any Duraclean patents or Duraclean copyrights.

It is the policy of Duraclean to take action necessary to protect its Patents and Copyrights although the Agreement does not specifically require us to do so. Duraclean is not materially limited by any agreement and we do not know of any infringing uses that could materially affect your use of Duraclean's Patents and Copyrights. Duraclean will reimburse you for your tangible costs of compliance if you are required to modify or discontinue the use of the subject matter covered by patent or copyright,

Patent-protected items, copyright protected manuals and business-building materials along with trade secrets and proprietary chemical formulas create the "Duraclean Difference" which in turn creates your place in the marketplace.

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Item 15

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

While you must attend Success Institute, Duraclean does not require that the owner personally directly supervise the franchise business but that is the usual procedure. Duraclean does not limit who you can hire or require that employees have specific training or equity interests in the franchise. You own the franchise as an independent business person. You are an independent contractor.

Each individual who owns an interest in the franchisee entity, which may or may not include your spouse, must sign an agreement (Exhibit A) assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement. You are further obligated to maintain confidentiality (see Item 14) and refrain from competing (see Item 17) with Duraclean or any Duraclean business.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may not offer or sell goods and services similar in nature to those in the Duraclean franchise system. You are not prohibited from selling **non-related** goods and services however the sales of any goods or services under the Duraclean name are subject to Royalty. Duraclean reserves the right to modify services and products from time to time.

You will devote your best efforts to develop satisfied Duraclean customers for your service business and will not directly or indirectly engage in, support or work for any non-Duraclean business offering services competitive to those of Duraclean during the term of the Agreement.

While you are obligated to offer the services of the Service Center acquired, you do not have to provide all the Service Centers available from Duraclean to your customers. You may add Duraclean services and have your business grow at your own pace.

There are no other restrictions limiting your access to customers.

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Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a) Length of the franchise term	VI	The term of the Franchise is five years
b) Renewal or extension of the term	VI	If in good standing you may renew every five years for five additional years
c) Requirement for you to renew or extend	VI	Sign new agreement with conditions that are not materially different than the original agreement.
d) Termination by you	VI	Upon 120 day notice if in good standing
e) Termination by Duraclean without cause	VI	Duraclean cannot terminate without cause
f) Termination by Duraclean with cause	VI	Duraclean can terminate only if you default
g) "Cause" defined" - curable defaults	VI	30 days to cure shortcomings upon written notice
h) "Cause defined" - non-curable defaults	VI	Non-curable defaults: conviction of felony, repeated defaults even if cured, abandonment, trademark misuse, unapproved transfers, insolvency or unable to pay creditors promptly
i) Your obligations on termination non-renewal	VI	Return proprietary information, sell patented equipment, stop using Duraclean marks, stop industry participation and remit any outstanding amounts due.
j) Assignment of contract by Duraclean	None	No restriction on Duraclean's right to assign
k) "Transfer" by you - definition	V & VI	Ownership change includes transfer of satisfied customer accounts and tangible assets
l) Duraclean's approval of transfer franchisee	V	Duraclean has the right to approve all transfers but will not unreasonably withhold by approval
m) Conditions for Duraclean approval of transfer	V	New franchisee qualifies, transfer fee paid, transfer agreement signed & approved

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
n) Duraclean's right of first refusal to acquire your business	VI	30 day right of first refusal to purchase franchise upon receipt of written notice
o) Duraclean's option to purchase your business	VI	While not required, Duraclean may purchase your business at the same terms offered by a 3rd party
p) Your death or disability	V	You or your estate may operate or sell your business
q) Non-competition covenants during the term of the franchise	III	You will not directly or indirectly engage in, support or work for a non Duraclean business offering services competitive to those offered by Duraclean
r) Non-competition after the franchise is terminated or expires	VI	For two years you will not directly or indirectly engage in, support or work for any business operating in your Primary Marketing Area which offers services similar to those offered by Duraclean.
s) Modification of the agreement	None	Manuals are subject to change. Agreement by Rider or Addendum only
t) Integration/ merger clause	VII	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	VII	Dispute resolution by arbitration for matters other than monies due and owing.
v) Choice of forum	VII	Any state or federal court located in Cook County, Illinois
w) Choice of law	VII	Illinois law applies

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

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Item 18

PUBLIC FIGURES

Duraclean does not use any public figure to promote its franchise.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representative to make any such representation either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our President, Vincent J. Caffarello, c/o Duraclean International, Inc., 220 Campus Drive, Arlington Heights, Illinois 60004-1485, 800-251-7070, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20

Outlets and Franchisee Information

Table No. 1

System-wide Outlet Summary
For Years ~~2012-2013~~ to ~~2014~~2015

Outlet Type	year	Outlets at the start of the year	Outlets at the end of the year	Net change
Franchised	2013	143	142	-1
	2014	142	135	-7
	2015	<u>135</u>	129	<u>-6</u>
Company-Owned	2013	9	9	0
	2014	9	9	0
	2015	9	9	0
Total Outlets	2013	152	151	-1
	2014	151	144	-7
	2015	<u>144</u>	138	<u>-6</u>

Table No. 2

Transfers of Outlets from Franchisees to New Owners (Other than Duraclean)
For Years ~~2012-2013~~ to ~~2014~~2015

State	Year	Number of Transfers
Louisiana	2013	1
	2014	0
	2015	0
South Carolina	2013	0
	2014	2
	2015	0
Massachusetts	2013	0
	2014	0
	2015	1
Georgia	2013	0
	2014	0
	2015	1
Illinois	2013	0
	2014	0
	2015	1
Total	2013	1
	2014	2
	2015	3

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Table No. 3
 Status of Franchised Outlets
 For Years ~~2012-2013~~ to ~~2014~~2015

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	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Alaska	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
California	2013	7	0	0	0	0	0	7
	2014	7	0	0	0	0	0	7
	2015	7	0	0	0	0	0	7
Colorado	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	1	1
	2015	1	0	0	0	0	0	1
Connecticut	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
Delaware	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Florida	2013	13	0	0	0	0	0	13
	2014	13	0	0	0	0	2	11
	2015	11	1	0	0	0	1	11
Georgia	2013	9	0	0	0	0	0	9
	2014	9	0	0	0	0	0	9
	2015	9	0	0	0	0	0	9
Hawaii	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Idaho	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Illinois	2013	11	0	0	0	0	0	11
	2014	11	0	0	0	0	0	11
	2015	11	0	0	0	0	0	11
Indiana	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	1	4
	2015	4	0	0	0	0	0	4
Iowa	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	0	5
Kentucky	2013	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Louisiana	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
Maine	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Maryland	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
Massachusetts	2013	7	0	0	0	0	0	7
	2014	7	0	0	0	0	0	7
	2015	7	0	0	0	0	0	7
Michigan	2013	7	0	0	0	0	0	7
	2014	7	0	0	0	0	0	7
	2015	7	0	0	0	0	0	7

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
Missouri	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
New Hampshire	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
New Jersey	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	0	5
New York	2013	8	0	0	0	0	0	8
	2014	8	0	0	0	0	1	7
	2015	7	0	0	0	0	0	7
North Carolina	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
North Dakota	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	1	1
Ohio	2013	6	0	0	0	0	1	5
	2014	5	0	0	0	0	1	4
	2015	4	0	0	0	0	1	3
Oklahoma	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	1	0	0	1
Pennsylvania	2013	9	0	0	0	0	1	8
	2014	8	0	0	0	0	1	7
	2015	7	0	0	0	0	0	7
South Carolina	2013	6	0	0	0	0	0	6
	2014	6	0	0	0	0	0	6
	2015	6	0	0	0	0	0	6

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
South Dakota	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Texas	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	0	5
Utah	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	1	0	0	0
Vermont	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Virginia	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
West Virginia	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Wisconsin	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	2	2
Total	2013	143	1	0	0	0	2	142
	2014	142	0	0	0	0	7	135
	2015	135	1	0	2	0	5	129

Table No. 4
 Status of Company-Owned Outlets
 For Years ~~2012-2013~~ to ~~2014~~2015

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Illinois	2013	9	0	0	0	0	9
	2014	9	0	0	0	0	9
	2015	9	0	0	0	0	9
Total	2013	9	0	0	0	0	9
	2014	9	0	0	0	0	9
	2015	9	0	0	0	0	9

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Table No. 5
 Projected Openings as of December 31, ~~2014~~2015

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Florida	0	2	0
Georgia	0	1	0
North Carolina	0	2	0
Maryland	0	2	0
Ohio	0	2	0
Pennsylvania	0	1	0
South Carolina	0	2	0
Total	0	11	0

Duraclean also has 146 franchises in other countries throughout the world.

The names of all franchisees and the addresses and telephone numbers of all of their outlets in the United States are listed in Exhibit F. There was 1 franchise reacquired by Duraclean during the past three years.

Attached to the disclosure document as Exhibit G is a list of the name and last known address and telephone number of every franchise who has had an outlet transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within ten weeks of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Duraclean. 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. Duraclean has nine company owned franchises.

Duraclean has not created, sponsored or endorsed Franchisee organizations and there are no independent Franchisee associations to the best of its knowledge. (Exhibit H1 & H2)

Item 21

FINANCIAL STATEMENTS

Duraclean's audited Balance Sheet, Statement of Income and Expense, and Statement of Charges in Financial Position as of December 31, ~~2014~~2015, December 31, ~~2013-2014~~ and December 31, ~~2012~~are 2013 are in Exhibit B.

Item 22

CONTRACTS

The Duraclean Franchise Agreement and the State Addenda to the Agreement along with Exhibits to the Franchise Agreement is attached as Exhibit A. The Exhibits to the Franchise Agreement include: Exhibit 1- Franchised Territory; Exhibit 2 - Confidentiality/Non-Competition Agreement (*if applicable*); and Exhibit 3 - Guarantee.

Item 23

RECEIPTS

You will find copies of a detachable receipt in Exhibit L at the very end of this disclosure document.



AP 96 EXHIBIT PACKAGE

Exhibits

- A Franchise Agreement and Related Materials
 - State Addenda to Franchise Agreement
 - Exhibits to Franchise Agreement:
 - State Addenda to the Franchise Agreement
 - Exhibit 1 - Franchised Territory
 - Exhibit 2 - Confidentiality/Non-Competition Agreement
 - Exhibit 3 - Guarantee
- B Financial Statements
- C State Administrators
- D Agents for Service of Process
- E *State Addenda to Disclosure Document*
- F List of Franchises
- G List of Former Franchisees
- H1 Franchisee Organizations We Have Created, Sponsored or Endorsed - *Not applicable*
- H2 Independent Franchisee Associations - *Not applicable*
- I *State Effective Dates*
- J Guarantee of Duraclean International, Inc.
- K1 Equipment Packages
- K2 Duraclean Fees and Services Form
- K3 Table of Contents - Manuals
- L Receipt

APPLICATION FOR OWNERSHIP
Of a Duraclean® Flex Franchise
(the Franchise Agreement)

Application is hereby made for the ownership of a Duraclean Franchise. When signed by Duraclean International, Inc., hereinafter referred to as Duraclean, this application becomes your franchise agreement with Duraclean.

The Franchise is a service business for the professional care, cleaning and restoration in both residential and commercial venues. The business is a full time opportunity which may be expanded in the directions you desire at your own pace.

This Franchise Agreement sets forth the teamwork and cooperation working together to locate, service

I. HOW DURACLEAN WORKS WITH YOU TO ESTABLISH YOUR BUSINESS

Transfer of Knowledge

Duraclean, having invested millions of dollars and over three quarters of a century of time to develop methods to secure customers for you, to render superior services and grow your franchise; will share such knowledge with you.

Home Study

1. Duraclean will furnish *confidential* Duraclean Instruction Materials for the services you choose with diagrams and photographs explaining step by step how to render each service, how to market customers, how to operate *every phase* of the business. These instructions are clear and complete.

Success InstituteSM

2. Duraclean will provide you with instruction at Duraclean's *Success Institute* to learn methods of operating your franchise. Instructors are the senior Duraclean executives who will assist in building your franchise. You will develop a step-by-step start up growth plan.

3. You agree to attend the *Success Institute* within two months after signing this Agreement. Duraclean will pay room and board expenses for you, your spouse and partners authorized on the Agreement who are registered in advance and Duraclean will give you one round trip air ticket to Chicago, or pay car mileage allowance at .45¢ per mile up to the value of that air fare. You are responsible for additional expenses during Duraclean's *Success Institute*.

Initial Shipment

4. Duraclean will provide you with carpet & upholstery cleaning and water restoration equipment, solutions & supplies, vehicle graphics, personalized printing, marketing materials, business website template including hosting and optimization for 12 months and your first year's subscription for RoutePoint to operate and grow your service business. You may also purchase equipment, supplies and materials for any of the services that you consider adding. Duraclean supports the following services

Carpet & Upholstery Cleaning*	Fire and Smoke Damage Restoration
Water Damage Restoration*	Janitorial Cleaning
Advanced Upholstery & Drapery Cleaning	Hard Surface Floor Cleaning
Mold Remediation	Duct Cleaning
Tile and Grout Cleaning	Trauma Cleanup

:* - *Basic Franchise Training*

5. Duraclean will reveal to you the tested, widely proven customer creating methods and the business development plans that have successfully expanded franchises worldwide and will furnish business builders such as full-color ad mailers, various sales folders, four color "business-getting" postcards and job quotation pads.

6. Duraclean will provide business-builders with your firm name, address and telephone. This includes envelopes, extra letterheads and business cards.
7. Duraclean will provide a certificate for \$200 toward your choice of official Duraclean Image Wear including jackets, shirts, slacks and T-shirts with Duraclean identification. ~~Duraclean lapel pin is included.~~
8. Duraclean will provide newspaper and yellow page directory examples ~~ready for you to use.~~
9. Based upon successful experience, Duraclean will advise what forms of marketing and procedures should be most helpful for you.
10. Duraclean will provide you a convenient, personalized, very easily learned Business Management Software system, RoutePoint.

II. THE EXCLUSIVE DURACLEAN PROGRAM

Duraclean provides and supervises this Program to build customer confidence and help bring you service jobs. It developed from over ~~eighty-five~~ six years of experience and covers services you could not afford on your own.

It has successfully established Duraclean franchises throughout the world for men and women with no previous business experience. As the system evolves, Duraclean reserves the right to add, to modify or delete any of its programs without advance notice.

Exclusive Trademarks

1. Duraclean will authorize you to use Duraclean registered trade names, service marks and trademarks:

Duraclean®
Flower Fresh®
Spotcraft®

Durashield Plus®
Fabricrafter®



Duraclean will maintain registrations of trade names, service marks and trademarks.

Continuous Training, Education and Support

2. Duraclean will take an active and personal interest in the development and growth of your franchise.
3. Duraclean maintains an advisory staff of experienced specialists. You may visit, write, fax, E-mail or phone them on Duraclean's "800" toll-free telephone for advice, support and/or plans to promote the success of your franchise.
4. Duraclean will provide field support and conduct periodic field meetings to bring new programs and ideas to you and to give all franchisees an opportunity to meet and exchange ideas.
5. Duraclean will create detailed, professional sales and instruction materials and keep them up to date.
6. Duraclean will provide a steady flow of business information through the *Duraclean on-line Journal* and periodic technical and business bulletins exclusively for Duraclean franchisees.

7. Duraclean will conduct annual meetings (no registration or attendance fees) so you may exchange experiences with franchisees, hear experts speak on subjects that are intended to improve your business, participate in staff conducted workshops on all phases of business and learn new trends and developments in the industry.

8. Duraclean will work with insurance vendors to design group insurance programs through which you may purchase business insurance from providers at group rates. Programs, providers, underwriters, coverages and premiums may vary from time to time. Duraclean will not receive any payment or other financial benefit from your purchase of such group insurance.

9. Duraclean maintains experienced, trained personnel who contact and help you with your service and marketing programs in the field. Duraclean also provides service representatives at Duraclean's headquarters who are responsible for handling your calls, questions and orders to assure that your requests are responded to promptly and by appropriate personnel.

Unique Processes, Equipment and Products (The "Duraclean Difference")

10. Duraclean will authorize you to use its patent protected processes and its patent protected equipment and exclusive products.

11. Duraclean will provide you a complete line of *high quality chemical* products, laboratory formulated for use with each piece of equipment.

12. Duraclean maintains an educated staff to aid you with any unusual service situations.

13. Duraclean supports a Research and Development program, manned by professional and technical personnel, to monitor and upgrade the performance of equipment and chemical formulations and to seek out and develop new products and services that can expand the markets served by you.

14. Duraclean warrants service machines to be free from mechanical defects in material and workmanship, under normal use when operated and maintained in accordance with operating instructions in Duraclean Instruction Materials, for a period of six months from date you receive it from Duraclean and will, during this period send you a replacement part in exchange for defective one.

Business Builders

15. Duraclean will authorize you to use its copyright protected business-building materials.

16. Duraclean, at low cost through quantity purchasing, will supply folders, booklets, letterheads, business cards, vehicle decals, and other customer creating materials that set you apart from local independent cleaners.

17. Duraclean will assist you in preparing marketing plans and local promotions.

18. Duraclean will contact carpet mills, furniture manufactures and other prestige building firms and demonstrate the superior qualities of your Duraclean processes to such firms.

19. Duraclean recognizes franchise achievement with awards of lapel pins and wall plaques to stimulate franchise growth. ~~Duraclean holds contests and incentive award programs with valuable prizes such as travel awards, rings, diamonds, pendants, etc.~~

Royalty Decreases with Growth

20. Based on the sales volume of *all services and/or products* sold by you under the Duraclean trade names, service marks, and trademarks in homes, apartments, commercial buildings and other locations, by mail, via the internet or otherwise, you will remit Royalty to Duraclean. Your franchise's share to be reported via e-mail utilizing the Duraclean RoutePoint software reports and to be paid to Duraclean on the 15th day and again on the last day of the month, is \$83 minimum for up to \$500 of revenue produced for each half month plus 8% of sales over \$500 and below \$3000; plus 6% between \$3000 and \$6000; and plus 2% for all sales over \$6000.

The \$83 Minimum does not apply during first six months. Six month period begins when this Agreement is signed and reports must be completed for each period regardless of sales amounts.

III. HOW YOU CONDUCT YOUR FRANCHISE

Independent, Reputable Business

1. As owner of this franchise, you are an independent business person. You work when you want, do what you want. You set your own prices, determine your own working hours, select your prospective customers, select and direct your service people, are solely responsible to customers for services performed, and control franchise income and expenses. Under no circumstances shall you and Duraclean be considered joint ventures, partners, or agent for the other. You are an independent contractor.

2. You will use only the firm name authorized by Duraclean and will hold *confidential* all materials, techniques, and information furnished for exclusive use of Duraclean franchisees. You acknowledge that Duraclean has exclusive rights to trade names, services marks and trademarks and that use requires Duraclean approval and that all use inures to the benefit of Duraclean.

3. You will pay all business expenses, such as payroll, supplier, insurance, advertising, taxes and duty (if any), when due. You will pay amounts due Duraclean promptly and add 1 1/2% interest per month (but not in excess of the lawful maximum) if late, per schedule furnished by Duraclean. You will also pay any other late charges imposed by Duraclean as well as any charges or expenses incurred by Duraclean arising out of any checks or wire transfers that are dishonored or returned for insufficient funds.

4. You will carry the following insurance coverages at all times with an insurer satisfactory to Duraclean:

a. Worker's Compensation and Employers Liability as prescribed by law in the state or province in which business is conducted.

b. Comprehensive general liability insurance, including liability and medical expenses, personal and advertising injury, fire legal liability-fire, lightning, or explosion with the following minimum limits:

Liability & Medical Expenses	\$1,000,000
Medical Expenses / each person	\$ 10,000
Personal & Advertising injury	\$1,000,000
Fire Legal Liability	\$ 300,000

Aggregate Limits

Products - Completed Operations	\$2,000,000
General Aggregate	\$2,000,000

c. Automobile liability insurance for both owned and non owned vehicles with the following minimum limits:

Liability	\$1,000,000
Un-Insured Motorists	\$1,000,000
Under insured Motorists	\$1,000,000

coverage must be per occurrence or as required by statute.

Duraclean must be named as an additional insured with an appropriate Franchisor additional insured endorsement on each insurance policy. You will furnish Duraclean with proof of coverage upon request.

You agree to indemnify, defend and hold harmless Duraclean from any and all claims and liabilities made or assessed against Duraclean arising, directly or indirectly, from or out of the operation by you of your Duraclean franchise and for all costs in defending against any such claims or liabilities, including, without limitation, reasonable attorney's fees.

If you decide to pursue Mold Remediation or specialize in Water Damage Restoration ~~profit centers~~ Duraclean ~~recommends~~ requires that you purchase Contractor's Pollution Liability Insurance (\$1,000,000) in addition to that coverage required above.

5. Your business telephone numbers will only be from telephone exchanges within assigned Primary Marketing Area. Advertising in phone books extending beyond your PMA ~~will~~ must indicate the area serviced by your franchise.

Develop Business

6. You will make every effort to develop satisfied Duraclean customers for your service business and not directly or indirectly engage in, support or work for any non-Duraclean business offering services competitive to those of Duraclean.

7. You may operate and develop your franchise using Duraclean advertising, promotional and mailing programs as specified in the Instruction Material to build this franchise.

Primary Marketing Area

8. In order to give you the maximum opportunity to build your Duraclean business, a jointly determined protected marketing area, called a Primary Marketing Area, will be established and assigned to you by Duraclean. Within this Area, you may operate your business from a single Operating Address at which you will locate as many service crews, sales people and vehicles as desired. To establish the Primary Marketing Area a number of factors will be taken into account, such as; population of the area, number of residential households by income strata, potential for commercial business, etc. Duraclean reserves the right to establish revenue stipulations. You will concentrate your business acquiring and servicing efforts in the Area, which need not necessarily be the city in which you live. Advertising, including websites and social media, extending beyond your PMA must indicate the Area serviced by your franchise. If the Area is not where you live, you must maintain a telephone and an address (P.O. Box will qualify) within the Area for customer contact purposes. The Area and the Address may be changed by mutual agreement.

When possible, the Primary Marketing Area is designed for just one Franchise. The Primary Marketing Area is nonexclusive; you will not receive an exclusive territory however, Duraclean will not establish additional franchises in an Area where it believes the existing franchise owner(s) have adequate Duraclean customers or have a marketing plan with Duraclean in place to service the Area.

Maintain Duraclean Standards of Superiority

9. You will give your customers honest and courteous service. You will attain and maintain Duraclean certification for the services you perform. You will adhere to the highest standards of honesty, integrity, fair dealing and conduct in operating your business. You will not engage in any business or advertising practice which might injure Duraclean's business or the goodwill associated with the Duraclean marks or the Duraclean system.

10. You will use only Duraclean approved methods, equipment, chemicals, materials, uniforms, vehicle signage and standards, as specified in the Duraclean Standards Material and other Duraclean Instruction Manuals, so as to maintain the worldwide reputation of Duraclean for uniformly high standards, fabric safety, and superior service which Duraclean advertising promises to your customer. You will display Duraclean's approved colors, decals and/or sign designs on all business vehicles.

11. You agree to purchase a minimum of \$1,250 in Duraclean chemical concentrates and solutions, equipment, supplies, marketing material and parts (excluding royalty, service charges, postage, freight, handling and labor) each calendar year starting on January 1 of the calendar year following date Agreement is accepted. Any shortfall will be billed to you after year end. This assures franchisees in system that all franchisees use products which meet Duraclean's laboratory specifications to maintain high standards for quality, safety to fibers and fabrics, colors, and performance.

12. Duraclean representatives may visit you at any reasonable time to determine that equipment, vehicles, place of business, signs and advertising are in keeping with Duraclean standards as specified in the Duraclean Instruction Materials and this Agreement. Representatives may audit business records, reports, tax returns, bank statements and make copies of records. You agree to preserve business records in accordance with generally accepted accounting principles for seven years and provide them to Duraclean upon request.

13. You will report all services performed through Duraclean's RoutePoint software program. Required reports with all necessary information including full customer name, address, telephone number, invoice number and invoice date will be transmitted to Duraclean electronically.

14. To enable Duraclean to give specific assistance as needed and for Duraclean to continue to build its base of knowledge, you will e-mail to Duraclean a Monthly Sales by Source Report and Sales by Service Report, both of which are prepared by the Duraclean RoutePoint software system.

IV. PAYMENT FOR FRANCHISE

The *Basic Franchise* is \$57,900 which includes the Franchise Fee, carpet & upholstery cleaning & water restoration equipment, solutions & supplies, vehicle graphics, printing, business website template including hosting and optimization for 12 months and the first year subscription to Duraclean's web based computer software "RoutePoint". All Duraclean prices are in United States dollars. Add taxes and shipping to above payment where applicable.

Market expansion with optional profit centers is up to you. If you wish you may include additional services when you establish your franchise. Just ask for equipment, chemical and business-building prices.

V. RESALE PRIVILEGE

You may sell your franchise at any time (because of retirement, moving, illness or any other reason) to anyone acceptable to Duraclean provided you are in full compliance with this Agreement. You receive entire proceeds from sales less the then current Transfer and Training fee. *Refer to Fees and Services form.* Neither this Agreement, the assets relating to the Duraclean Franchise, the Franchise or any interest in any corporation, partnership, limited liability company or other entity that may own the Franchise, may be transferred without Duraclean's prior written approval, and any such transfer shall constitute a breach of this Agreement and will be null and void and of no effect. The franchised business as a whole must be transferred to the new owner and you cannot sell any Duraclean rights, products, customer lists or item separate from the sale of the Franchise.

VI. FRANCHISE TERM AND RENEWAL

1. This Agreement is for five (5) years. Provided you are in compliance with this Agreement, you may renew it for additional five (5) year periods subject to adjustments by Duraclean to reflect Duraclean's franchise programs, standards, policies and pricing at the time of each such renewal, at no charge to you.

2. You may terminate this Agreement upon 120 days written notice to Duraclean of your intention to terminate.

3. You give Duraclean the right at its option to purchase your franchise from you on mutually agreeable terms once written notice of termination is given to Duraclean as provided above. You also give Duraclean a 30 day right of first refusal on the sale of your franchise to a third party. Duraclean may elect, but is not required to purchase your business within 30 days from the receipt of notice on the same terms and conditions as those offered by a third party.

4. Duraclean may terminate this Agreement if you do not comply with any provision of this Agreement and fail to correct any such failure to comply within thirty (30) days of written notice to you. Duraclean also has the right to immediately terminate this Agreement upon written notice to you in the event: you or any of your owners are convicted of a felony or any other criminal conduct which adversely affects the operation of the business; you repeatedly breach this Agreement even if such breaches are subsequently cured; you or any of your owners engage in conduct which reflects materially and unfavorably on the Duraclean system; you or your owners make an unauthorized sale or transfer of your business or the franchise; you abandon the business; or you become insolvent or unable to pay creditors promptly.

5. If this Agreement is terminated or not renewed for any reason, to protect the Duraclean system, you will promptly return all Duraclean confidential trade secret information, Duraclean RoutePoint software system, including all Instruction Materials, to Duraclean prepaid and remit all amounts owed Duraclean based upon most recent renewal Agreement. You will sell Duraclean patented equipment to another authorized Duraclean franchisee or to Duraclean at the then current fair market value considering age and condition. You will remit Royalty payments and interest per month until all these actions are completed, including receipt of equipment by another franchisee or Duraclean.

6. Also, if this Agreement is terminated or not renewed for any reason, to protect the Duraclean system, you will immediately stop using the Duraclean name, trade and service marks, service equipment, copyrighted materials, advertisements, business cards, vehicle identification, websites, social media and uniforms and cease referencing any association with Duraclean and remove any reference to the Duraclean name in your corporate or business name. You will turn over to Duraclean or purchaser of franchise the rights to and names, addresses and complete records of all customers and, for two years thereafter, you will not directly or indirectly engage in, support or work for any business operating in your Primary Marketing Area which offers services similar to those previously offered by you to your Duraclean customers. The two year period begins when Agreement is terminated or non-renewed, or if later, the date upon which you comply with this covenant. You will have all of your business telephones disconnected without referral unless the referral is to another Duraclean franchisee. You authorize Duraclean to make such telephone change in your behalf and agree to hold the telephone company harmless for such action. You will compensate Duraclean for refusal to take any of the actions in this Section or in Section 5 above by paying Duraclean \$100 per day as liquidated damages until such date actions are fully taken.

VII. UNDERSTANDING WITH DURACLEAN

1. You acknowledge that neither Duraclean nor anyone on behalf of Duraclean has made any promises or inducements, orally or otherwise, regarding the content or subject matter of this Agreement which are not contained herein. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the franchise disclosure document. Only the signature hereto of a Duraclean executive binds Duraclean.

2. This Agreement and the parties' relations hereunder will be governed by and construed in accordance

with the laws of the State of Illinois except for the non-competition provisions of this Agreement which will be governed by the law of the state in which you reside.

3. Except for monies due and owing under this Agreement (which the claimant may elect to bring in a judicial forum) all controversies, claims or disputes arising under this Agreement or out of the relationship of the parties will be resolved through arbitration administered by the American Arbitration Association. The arbitration proceeding shall be conducted before a single arbitrator in Chicago, Illinois in accordance with the then current commercial arbitration rules of the American Arbitration Association. Notwithstanding anything to the contrary contained in this Section, the parties shall have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief, from a court of competent jurisdiction; provided, however, the party seeking such relief must contemporaneously submit the dispute for arbitration on the merits as provided herein. Judgment on the arbitrator's award may be entered by any court of competent jurisdiction.

4. Any action arising out of or relating to this Agreement which is not required to be arbitrated or as to which arbitration is waived shall be commenced, litigated and conducted only in a state or federal court in Cook County, Illinois. You irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such courts. You further irrevocably agree not to argue that Illinois is an inconvenient forum or to request transfer of any such action to any court.

5. You agree to reimburse Duraclean for all costs and expense it incurs enforcing the terms of this Agreement, including, without limitation, its reasonable attorney's fees.

6. Duraclean will help you to develop your latent and natural abilities...and will help you direct your talents to bring maximum growth to this franchise.

7. Duraclean verifies that this business has been easily learned by inexperienced beginning franchisees and their service people.

8. Duraclean verifies that franchisees throughout the world are rendering highly satisfactory service.

Certification

State of: _____)

) s.s.:

County of: _____)

On this ____ day of _____, 20____, before me, the undersigned notary public appeared _____, proved to me through satisfactory evidence of identification, which were _____, to be the person who signed on the preceding or attached document in my presence.

_____, Notary Public
Print Name

My Commission Expires: _____

[SEAL]

Ownership Appointment

You will receive a copy of this Franchise Agreement signed by Duraclean which is your official Duraclean Franchise Agreement.

The authorized firm name/Tradestyle for your franchise is:

The Primary Marketing Area for your franchise is:

The Operating Address for your franchise is:

Franchise No. _____

Signed at Arlington Heights, Illinois U.S.A. on _____

Duraclean International, Inc. by _____ title _____

Attest _____
Assistant Secretary

(Corporate Seal)

ADDENDUM
To Duraclean International, Inc.
Franchise Agreement
REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchise Act, the Application for Ownership (the Agreement) of Duraclean International, Inc. shall be modified as follows and include the following language:

Section IV PAYMENT FOR FRANCHISE paragraph (1) of the Application for Ownership is replaced with:

The State of Minnesota requires us to defer payment of the initial franchise fee and other initial payments owed by the franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement. The franchise opening is immediate upon arrival for training. Duraclean franchisees work from home and begin immediately upon receipt of their equipment and training. Some franchisees are conversions, already equipped to provide service and many begin their Duraclean business by marketing prior to attending training.

To purchase the Franchise you make an initial payment of \$38400. plus the entire cost of additional equipment ordered with the balance of \$19,500. to be paid upon your arrival for training.

All Duraclean prices are in United States dollars. Add taxes and shipping to above payments where applicable

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this ADDENDUM on the day and year first written.

Franchisee

Signed individually and/or as an officer or partner of the franchise

date

Franchisor

by _____

title

date

Franchised Territory

When possible, the Primary Marketing Area is designed for just one Franchise. The Primary Marketing Area is nonexclusive; you will not receive an exclusive territory however, Duraclean will not establish additional franchises in an Area where it believes the existing franchise owner(s) have adequate Duraclean customers or have a marketing plan with Duraclean in place to service the Area.

When a territory has been agreed upon you will be asked to sign a Primary Marketing Area letter which will include the following language:

The purpose of this letter is to define your Primary Marketing Area:

PMA – the physical territory may be described by county or city boundaries and may be shared by other Franchises on a non-exclusive basis. Revenue stipulations may be agreed upon.

Duraclean recognizes that you, as well as other franchises, may, from time to time, receive occasional business from outside your Primary Marketing Area, as a result of referrals and recommendations from satisfied customers. However, as covered in Section II.8 of your Agreement, the Primary Marketing Area is where you will be devoting all your business sales and promotional efforts including: having an office with a street address and a telephone listing; yellow page and classified newspaper advertising; direct mailings; penny savers, Val-Pacs, etc.; telephone solicitation and direct sales representation. In consideration of the above conditions, it is assumed that you will actively market your Duraclean Franchise. This marketing will be in a reasonable and professional manner to increase your overall customer base.

If you advertise in media, including websites and social media, that may extend beyond your Primary Market Area you must include language explaining the approved area to be serviced by your franchise.

Please sign, date and return this letter. The second copy should also be signed and is for your files.

This will become your territory Agreement. You may expand and/or alter your territory by agreement with Duraclean. At such time a new letter will be executed and the then current Territory Expansion Fee will apply.

Confidentiality/Non-Competition Agreement

Information regarding confidentiality and/or non-competition is included in the Franchise Agreement.

You are not required to execute a separate Confidentiality / Non-Competition Agreement.

Duraclean®

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, _____, by _____

In consideration of, and as an inducement to, the execution of that certain Application for Appointment As Owner of A Duraclean Service Business of even date herewith (the "Agreement") by Duraclean International, Inc. ("Duraclean"), each of the undersigned hereby personally and unconditionally (a) guarantees to Duraclean, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that,

("Franchise") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each of the undersigned waives: (1) acceptance and notice of acceptance by Duraclean of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Franchise or any other person as condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchise fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Duraclean of any remedies against Franchise or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Duraclean may from time to time grant to Franchise or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

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

GUARANTOR(S) SIGNATURE(S)	SOCIAL SECURITY NUMBER(S)	PERCENTAGE OF FRANCHISE OWNERSHIP
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %

Exhibit B

Audited Financial Statements

Years Ending 12/31/~~2014~~2015 – 12/31/~~2013~~2014 – 12/31/~~2012~~2013

DURACLEAN INTERNATIONAL, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014 AND 2013

DURACLEAN INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT.

To the Stockholders of
Duraclean International, Inc.
220 Campus Drive
Arlington Heights, IL 60004

We have audited the accompanying financial statements of Duraclean International, Inc. which comprise the balance sheet as of December 31, 2015, and the related statements of income and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

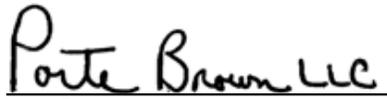
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duraclean International, Inc. as of December 31, 2015, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter (predecessor auditor)

The financial statements of Duraclean International, Inc. as of December 31, 2014, 2013 and 2012, were audited by Sasseti LLC whose report dated February 26, 2015, expressed an unmodified audit opinion on those audited financial statements.

PORTE BROWN LLC
Certified Public Accountants



Elk Grove Village, Illinois
March 2, 2016

BALANCE SHEETS

DECEMBER 31, 2015, 2014 AND 2013

	<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	\$ 21,624	\$ 13,394	\$ 33,608
Accounts receivable	74,601	92,555	138,131
Installment notes - current portion	34,333	36,813	81,752
Less: Allowance for doubtful accounts	-	(16,500)	(35,634)
Inventories	80,614	80,827	171,026
Prepaid expenses	24,311	10,223	3,502
Total current assets	<u>\$ 235,483</u>	<u>\$ 217,312</u>	<u>\$ 392,385</u>
<u>FIXED ASSETS</u>			
Property and equipment	\$ 336,384	\$ 343,174	\$ 411,024
Less: Accumulated depreciation	(218,784)	(194,058)	(314,547)
Total fixed assets, net	<u>\$ 117,600</u>	<u>\$ 149,116</u>	<u>\$ 96,477</u>
<u>OTHER ASSETS</u>			
Installment notes (net of current portion included above)	\$ 95,404	\$ 132,339	\$ 58,457
Security deposits	12,239	12,239	12,239
Goodwill	42,775	42,775	42,775
Total other assets	<u>\$ 150,418</u>	<u>\$ 187,353</u>	<u>\$ 113,471</u>
<u>TOTAL ASSETS</u>	<u>\$ 503,501</u>	<u>\$ 553,781</u>	<u>\$ 602,333</u>

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETSDECEMBER 31, 2015, 2014 AND 2013

	<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>CURRENT LIABILITIES</u>			
Bank loan payable	\$ 7,500	\$ 12,500	\$ 17,500
Accounts payable	136,873	203,801	261,241
Current portion of long-term debt	91,598	63,360	63,035
Current portion of capital lease obligation	3,418	3,067	2,753
Current portion of deferred rent	2,818	131	-
Accrued expenses	38,945	42,785	27,470
Total current liabilities	<u>\$ 281,152</u>	<u>\$ 325,644</u>	<u>\$ 371,999</u>
<u>NONCURRENT LIABILITIES</u>			
Long-term debt (net of current portion included above)	\$ 157,216	\$ 107,576	\$ 122,975
Capital lease obligation (net of current portion included above)	606	4,024	7,091
Deferred rent (net of current portion included above)	22,937	25,493	-
Total noncurrent liabilities	<u>\$ 180,759</u>	<u>\$ 137,093</u>	<u>\$ 130,066</u>
TOTAL LIABILITIES	<u>\$ 461,911</u>	<u>\$ 462,737</u>	<u>\$ 502,065</u>
<u>STOCKHOLDERS' EQUITY</u>			
Common stock, Class V, \$100 par value; 100,000 authorized 3,900 shares; issued and outstanding - 23,000 shares	\$ 390,000	\$ 390,000	\$ 390,000
Additional paid-in capital	1,153,186	1,153,186	1,153,186
Retained deficit	(1,501,596)	(1,452,142)	(1,442,918)
Total stockholders' equity	<u>\$ 41,590</u>	<u>\$ 91,044</u>	<u>\$ 100,268</u>
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>\$ 503,501</u>	<u>\$ 553,781</u>	<u>\$ 602,333</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>NET SALES</u>	\$ 1,398,301	\$ 1,486,277	\$ 1,451,098
<u>COST OF GOODS SOLD</u>	<u>306,067</u>	<u>326,314</u>	<u>403,935</u>
<u>GROSS PROFITS</u>	\$ <u>1,092,234</u>	\$ <u>1,159,963</u>	\$ <u>1,047,163</u>
<u>OPERATING EXPENSES</u>			
Dealer development, training, and assistance	\$ 449,211	\$ 458,903	\$ 398,408
Selling	73,279	51,309	55,696
General and administrative	<u>577,601</u>	<u>535,733</u>	<u>530,929</u>
Total operating expenses	\$ <u>1,100,091</u>	\$ <u>1,045,945</u>	\$ <u>985,033</u>
<u>(LOSS) INCOME FROM OPERATIONS</u>	\$ (7,857)	\$ 114,018	\$ 62,130
<u>OTHER (EXPENSES) INCOME</u>			
Release of obligation	\$ -	\$ -	\$ 87,825
Bad debt expense	(12,980)	(3,000)	-
Interest expense	(28,617)	(34,008)	(38,887)
Moving expense	-	(26,170)	-
Disposal of inventory	-	(31,025)	-
Disposal of leasehold improvements	-	<u>(29,039)</u>	-
Total other (expenses) income, net	\$ <u>(41,597)</u>	\$ <u>(123,242)</u>	\$ <u>48,938</u>
<u>NET (LOSS) INCOME</u>	\$ <u>(49,454)</u>	\$ <u>(9,224)</u>	\$ <u>111,068</u>

The accompanying notes are an integral part of these financial statements.

DURACLEAN INTERNATIONAL, INC. STATEMENTS OF
STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Shares	Amount	Additional Paid-In Capital	Retained Deficit	Total
Balance, December 31, 2012	3,900	\$390,000	\$1,153,186	\$(1,553,986)	\$(10,800)
Net Income	-	-	-	111,068	111,068
Balance, December 31, 2013	3,900	\$390,000	\$1,153,186	\$(1,442,918)	\$100,268
Net Loss	-	-	-	(9,224)	(9,224)
Balance, December 31, 2014	3,900	\$390,000	\$1,153,186	\$(1,452,142)	\$91,044
Net Loss	-	-	-	(49,454)	(49,454)
Balance, December 31, 2015	3,900	\$390,000	\$1,153,186	\$(1,501,596)	\$41,500

See independent auditor's report on supplemental information.

DURACLEAN INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

<u>OPERATING ACTIVITIES</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net (loss) income	\$ (49,454)	\$ (9,224)	\$ 111,068
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:			
Loss on disposal of assets	-	29,040	-
Depreciation	44,909	26,821	22,429
Changes in:			
Accounts receivable	40,869	(2,501)	125,789
Inventory	213	90,199	13,429
Prepaid expenses	(14,088)	(6,721)	3,962
Accounts payable	(66,928)	(57,440)	(185,553)
Rent abatement liability	131	25,624	-
Accrued expenses	(3,840)	15,315	4,264
Total adjustments	<u>1,266</u>	<u>120,337</u>	<u>(15,680)</u>
Net cash (used) provided by operating activities	<u>\$ (48,188)</u>	<u>\$ 111,113</u>	<u>\$ 95,388</u>
 <u>INVESTING ACTIVITIES</u>			
Purchase of fixed assets	<u>\$ (10,326)</u>	<u>\$ (108,500)</u>	<u>\$ (12,910)</u>
Net cash used by investing activities	<u>\$ (10,326)</u>	<u>\$ (108,500)</u>	<u>\$ (12,910)</u>
 <u>FINANCING ACTIVITIES</u>			
Repayment of bank loan payable - net	\$ (5,000)	\$ (5,000)	\$ (2,000)
Proceeds from long-term debt	146,000	47,034	-
Repayment of long-term debt	(71,189)	(62,108)	(60,055)
Repayment of capital lease obligation	<u>(3,067)</u>	<u>(2,753)</u>	<u>(2,472)</u>
Net cash provided (used) by financing activities	<u>\$ 66,744</u>	<u>\$ (22,827)</u>	<u>\$ (64,527)</u>
 <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>\$ 8,230</u>	<u>\$ (20,214)</u>	<u>\$ 17,951</u>
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	<u>13,394</u>	<u>33,608</u>	<u>15,657</u>
<u>ENDING CASH AND CASH EQUIVALENTS</u>	<u>\$ 21,624</u>	<u>\$ 13,394</u>	<u>\$ 33,608</u>
 <u>SUPPLEMENTAL INFORMATION TO CASH FLOWS</u>			
Cash paid during the year for:			
Income taxes	\$ -	\$ -	\$ -
Interest	28,617	34,008	38,887

The accompanying notes are an integral part of these financial statements.

DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, AND 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF OPERATIONS

Duraclean International, Inc. (the "Company") is primarily engaged in the sale and support of cleaning franchises throughout the United States of America and internationally. Major sources of revenue come from the sale of franchises, franchise royalties and equipment/supplies sales. The Company also operates a cleaning and restoration business in the Chicago area.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 2, 2016, the date which the financial statements were available to be issued.

METHOD OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America.

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

REVENUE RECOGNITION

Revenues are recognized on an accrual basis. Royalty revenues are recognized based upon revenues reported by the franchisees. Generally, franchisees report and remit royalties on a bi-monthly basis. The majority of receipts are recorded on an accrual basis from actual numbers from reports received from franchisees shortly after period end. Estimates are utilized in certain instances when actual numbers have not been received.

The Company recognizes initial franchise fee revenue at the opening of the franchisee's operations. Sale of product revenue is recognized upon the shipment of merchandise. Allowances for sales returns, rebates and discounts are recorded in the period the goods are sold.

DURACLEAN INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

ACCOUNTS AND INSTALLMENT NOTES RECEIVABLE

Accounts and installment notes receivable are stated at the amount management expects to collect from outstanding balances. Installment notes receivable from franchisees, are generally unsecured with various interest rates and terms of one to four years. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or notes receivable.

TAXES COLLECTED FROM CUSTOMERS

Sales tax and similar taxes collected from customers and remitted to the government authorities are not included in sales and expenses in the statement of income.

CONCENTRATION OF CREDIT RISK

At times during the year, the Company may have cash and cash equivalents in excess of the federally insured limits of \$250,000 at one banking institution. These amounts potentially subject the Company to credit risk if the banking institution fails. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using the specific identification method. The components of inventories are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Equipment	\$ 10,640	\$ 10,110	\$ 33,579
Replacement parts	15,364	14,391	34,066
Supplies	<u>54,610</u>	<u>56,326</u>	<u>103,381</u>
TOTAL	<u>\$ 80,614</u>	<u>\$ 80,827</u>	<u>\$ 171,026</u>

DURACLEAN INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

GOODWILL

Goodwill represents an acquired company's acquisition cost less the fair value of assets. Goodwill is assigned to specific reporting units and is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill.

The fair value of the reporting unit is estimated on the present value of expected future cash flows. Management has determined that goodwill of \$42,775 was not impaired for the year ended December 31, 2015.

ADVERTISING

The Company expenses advertising costs as incurred. Total advertising expense for 2015, 2014 and 2013 was \$45,653, \$28,155 and \$33,357, respectively.

INCOME TAXES

There is no provision for federal corporate income taxes because the stockholders have elected to pay these taxes in accordance with S Corporation rules of the Internal Revenue Code. A provision for state replacement tax has not been made due to the current year net loss.

The Company has adopted the provision of ASC Topic 740, Income Taxes, relating to the accounting for uncertainty in income taxes. Management believes the Company has no material unrecognized income tax benefits. Management is not aware of any uncertain tax positions.

FIXED ASSETS AND DEPRECIATION

Major classifications of property and equipment and their respective lives are summarized below:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>Depreciable Lives in Years</u>
Leasehold improvements	\$ 6,859	\$ 6,859	\$ 54,673	39
Equipment and furniture	223,690	239,773	269,038	5-7
Autos and trucks	105,836	96,542	87,313	5
TOTAL	<u>\$ 336,385</u>	<u>\$ 343,174</u>	<u>\$ 411,024</u>	

DURACLEAN INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE B. LINE OF CREDIT

The Company has a \$50,000 line of credit with a bank maturing on August 30, 2016. Amounts outstanding under the line bear interest at the LIBOR Daily Floating Rate plus 4.5%, adjusted daily (an effective rate of 4.917% as of December 31, 2015). The line of credit is secured by substantially all assets of the Company. Loans are also personally guaranteed by the Company's stockholders. As of December 31, 2015, 2014 and 2013, the Company had balances due of \$7,500, \$12,500 and \$17,500, respectively.

NOTE C. LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
A note payable to a bank is an installment obligation payable \$3,892 per month principle and interest at 4.8%. The balance on the loan is due March 2017. The loan is collateralized by substantially all of the Company's assets and personally guaranteed by the Company's stockholders. The total unpaid balance at balance sheet date was -	\$ 57,068	\$ 99,858	\$140,618
A note payable to a bank is an installment obligation payable \$495 per month principle and interest at 9.83%. The balance on the loan is due January 2017. The loan is collateralized by substantially all of the Company's assets and personally guaranteed by the Company's stockholders. The total unpaid balance at balance sheet date was -	6,081	11,149	15,746
A note payable to a bank is an installment obligation payable \$543 per month principle and interest at 4.82%. The balance on the loan is due November 2016. The loan is collateralized by transportation equipment. The total unpaid balance at balance sheet date was -	5,827	12,434	16,846
A note payable to a bank is an installment obligation payable \$957 per month principle and interest at 8.03%. The balance on the loan is due May 2020. The loan is collateralized by transportation equipment. The total unpaid balance at balance sheet date was -	42,582	46,497	-

DURACLEAN INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE C. LONG-TERM DEBT: (continued)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
A note payable to a bank is an installment obligation payable \$2,760 per month principle and interest at 5%. The balance on the loan is due August 2020. The loan is collateralized by substantially all of the Company's assets and personally guaranteed by the Company's			
stockholders. The total unpaid balance at balance sheet date was -	137,256	-	-
A note payable to an unrelated third party was an installment obligation payable \$1,000 per month principle and interest at 2.67%. The balance on the loan was due January 2015. The loan was unsecured. The note payable relates to the repurchase of a franchise by the Company. The total unpaid balance at balance sheet date was -	-	998	12,800
Total debt	\$ 248,814	\$ 170,936	\$ 186,010
Current portion	<u>(91,598)</u>	<u>(63,360)</u>	<u>(63,035)</u>
Long-term portion	<u>\$ 157,216</u>	<u>\$ 107,576</u>	<u>\$ 122,975</u>

Long-term debt maturing in years subsequent to December 31, 2015 are as follows:

Year ending December 31,	
2016	\$ 91,598
2017	49,927
2018	39,511
2019	41,848
2020 and thereafter	<u>25,930</u>
Total Long-Term Debt	<u>\$ 248,814</u>

NOTE D. FRANCHISE FEE REVENUES

Gross revenues include franchise royalty fee revenues of \$767,524, \$829,937 and \$712,674 for the years ended December 31, 2015, 2014 and 2012, respectively. Initial franchise fees totaled \$52,142, \$62,295 and \$29,000 for the years ended December 31, 2015, 2014 and 2012, respectively and include existing franchises who have transferred ownership.

Gross revenues include equipment and product sales revenue of \$124,980, \$181,487 and \$167,217 for the years ended December 31, 2015, 2014 and 2012, respectively. Sales related to a franchisor owned operation totaled \$435,216, \$383,051 and \$521,697 for the years ended December 31, 2015, 2014 and 2012, respectively.

DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015, 2014 AND 2013

NOTE E. RETIREMENT PLAN

The Company maintains a qualified retirement plan that allows for voluntary employee contributions from 2% to 15% of compensation. The Company's discretionary matching contribution is a maximum of 2% of an employee's compensation. Contributions of \$8,872, \$15,243 and \$8,404 were made for the years ended December 31, 2015, 2014 and 2012, respectively.

NOTE F. LEASE COMMITMENTS

The Company has entered into a lease commitment on the building used as its headquarters. The terms of the lease provide for an annual rent of \$73,740, payable monthly, increasing periodically to \$88,896 through July 2019. Rent expense was \$85,526, \$94,831 and \$151,497 for the years ended December 31, 2015, 2014 and 2012, respectively. The expiration date is July 31, 2019.

Future minimum lease payments for above operating lease are as follows:

Year ending December 31,	
2016	\$ 77,948
2017	81,318
2018	84,688
2019	<u>51,016</u>
Total Future Minimum Rentals	<u>\$ 294,970</u>

NOTE G. CAPITAL LEASE OBLIGATION

In March 2012, the Company entered into a capital lease for a phone system, payable in monthly installments of \$307. The lease runs for 60 months and expires in February 2017. The present value of the lease was calculated at \$14,180, utilizing an interest rate of 10.86%. The equipment is being amortized over its estimated useful life.

Future minimum capital lease commitments are as follows:

Year ending December 31,	
2016	\$ 3,418
2017	<u>606</u>
Total Capital Lease Obligations	<u>\$ 4,024</u>

NOTE H. RELEASE OF OBLIGATION

The majority of the release of obligation related to the difference between final invoice amounts from an attorney and the Company's payable balances for legal fees. These legal fees relate to a lawsuit brought against the Company in 2007.

DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015, 2014 AND 2013

NOTE I. MOVING EXPENSE

The Company moved locations during the year ended December 31, 2014. This move caused the Company to dispose of leasehold improvements at the initial location with a value of \$29,039. During the move, the Company disposed of \$31,025 of excess inventory and expensed \$26,170 of moving costs for the year ended December 31, 2014.

NOTE J. ACCOUNTING SYSTEM

The Company is currently converting their data to a new Business Management Software. The Company will be utilizing this system for 2016, with the goal of allowing complex franchise recordkeeping to seamlessly post to the new platform and develop their financials.

NOTE K. RECLASSIFICATIONS

Reclassifications occurred to certain prior year amounts in order to conform with the current year classifications. The reclassifications have no effect on reported net income.

State Administrators

CALIFORNIA

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Sacramento CA 95814-4052

HAWAII

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Department of Commerce and Consumer Affairs
Business Registration Division
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Commissioner of Commerce
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New York NY 10271

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Bismarck ND 58501

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Salem OR 97310

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Rhode Island Dept. of Business Registration
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Department of Commerce & Consumer Affairs
State Capitol
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Madison WI 53702

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Commissioner of Commerce
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St. Paul MN 55101-2198

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Albany NY 12231

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600 East Blvd.
Bismarck ND 58501

OREGON

Oregon Corporation Division
Commerce Building
Salem OR 97310

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Secretary of State
Rhode Island Dept. of Business Registration
Securities Section
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Providence RI 02903

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Director of Division of Securities
Department of Commerce & Consumer Affairs
State Capitol
118 West Capitol Street
Pierre, SD 57501

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Agent
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond VA 23219

WASHINGTON

Director of the Department of Licensing
P.O. Box 9033
Olympia WA 98507

WISCONSIN

Commissioner of Securities
Franchise Investment Division
101 East Wilson Street 4th Floor
Madison WI 53702

ADDENDUM
To Duraclean International, Inc.
Franchise Disclosure Document
REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchise Act, the Application for Ownership (the Agreement) of Duraclean International, Inc. shall include the following language:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this ADDENDUM on the day and year first written.

Franchisee

Signed individually and/or as an officer or partner of the franchise _____
date

Franchisor

by _____ _____ _____
title title date

LIST OF FRANCHISES
YEAR ENDING 12/31/~~2014~~2015

|

CLAUDE EDWARDS
1025 ORCA STREET
ANCHORAGE AK 99501-4017
907-272-1955

DAVE FLORES
285 SOBRANTE WAY. STE M
SUNNYVALE CA 94086-2814
408-739-2665

DURACLEAN BENNETT
43300 Business Park Drive #A106
TEMECULA CA 92590
951-693-2900

JOHN F. TYREE
178 NORTH BARNWELL ST.
OCEANSIDE CA 92054-3747
760-757-5038

MAHMOUD SHIRAZI
P.O. BOX 2352
SAN RAFAEL CA 94912-2352
415-457-5178

DANIEL MENGOD
3101 BERKSHIRE WAY
SACRAMENTO CA 95864-2701
916-485-2361

DAVID LEE TAYLOR
14478 LITTLE HILL LANE
GRASS VALLEY CA 95945
530-273-9379

DURACLEAN HICKEY
285 SOBRANTE WAY. STE M
SUNNYVALE CA 94086-2814
408-739-2665

STEVE NOE
177 48TH AVE
GREELEY CO 80634-4311
970-353-9229

KEVIN M. DINEEN
104 PINE TREE ROAD
REDDING CT 06896-3002
203-938-0627

DURACLEAN WHITBECK
97H W DUDLEY TOWN RD
BLOOMFIELD CT 06002
860-882-0940

TRACY WORLUND
97H W DUDLEY TOWN RD
BLOOMFIELD CT 06002
860-882-0940

GERBER BONILLA
71 VIRGIL STREET APT 8-2
STAMFORD CT 06902-4717
203-967-3222

HORACE K. JACKSON SR.
RT 6 BOX 59 LONG NECK
MILLSBORO DE 19966-9806
302-945-1506

WILLIAM ROCK
P O BOX 6157
DELTONA FL 32728-6157
386-734-2309

DURACLEAN BY BUSY B'S
P O BOX 6157
DELTONA FL 32728-6157
386-734-2309

DURACLEAN BY SMITH
P O BOX 6157
DELTONA FL 32728-6157
386-734-2309

DON BOTTO
6624 BUDDY LANE
PORT RICHEY FL 34668-3807
727-849-1044

DURACLEAN SERVICE CO
920 3RD AVENUE NORTH
LAKE WORTH FL 33460
561-586-9100

NARCISCO (OTTO) DIAZ
13831 SW 31ST COURT
OCALA. FL 34473-2235
352-245-3383

DURACLEAN BY GRADY
P O BOX 6157
DELTONA FL 32728-6157
386-734-2309

ANTHONY C. ZARRA
4004 S. FLORAL TERRACE
INVERNESS FL 34452-7669
352-726-1099

GREGORY MANZI
527 NW 36TH AVENUE
DEERFIELD BEACH FL 33442
954-571-3855

BILL ZAZULA
5113 BUTTE STREED
LEHIGH ACHRES, FL 33971
239-284-0227

BRADLEY PARKS
4800 RALEY ROAD
MACON. GA 31206
478-475-9650

DURACLEAN BY HESTER
4800 RALEY ROAD
MACON. GA 31206
478-475-9650

DURACLEAN BY ROBBINS
4800 RALEY ROAD
MACON. GA 31206
478-475-9650

DURACLEAN BY JOE SMITH
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MACON. GA 31206
478-475-9650

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912-638-1443

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P O BOX 893339
MILILANI HI 96789-3339
808-625-9111

DURACLEAN McAULEY 4636 NORTH BERKSHIRE DRIVE BOISE ID 83704 208-321-8300	HUBERT J. MONTESI 301 WEST DANIELS ROAD PALATINE, IL 60067 847-657-8484	GENO GEORGE 10803 PORTER STREET CROWN POINT IN 46307 219-662-6358
ROBERT N. GUTGSELL 5655 N. NORTHCOTT CHICAGO IL 60631-3103 773-775-9881	DURACLEAN RES & COM CLNG 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	TIM SHOUP 808 WEST MAUMEE ANGOLA IN 46703-1324 260-665-3055
DURACLEAN RESTORATION 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	JOSEPH BARTZ 865 E. JACKSON ST. #7 BELVIDERE IL 61008-3201 815-544-9244	DONALD R. FOSTER 5415 WEST 750 NORTH McCORDSVILLE IN 46055-9706 317-335-2253
DANIEL J. BROWN 6396 BLYTH ROAD CALEDONIA IL 61011-9644 815-885-9091	DWIGHT LONIE 512 WEST TAFT DRIVE SOUTH HOLLAND IL 60473 708-798-2072	GRAVIS ALGER 1308 LOCUST STREET WEST DES MOINES, IA 50265 515-650-1620
DURACLEAN SPRINGER 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	DURACLEAN QUALITY CLNG 220 CAMPUS DR ARLINGTON HEIGHTS IL 60004 800-862-5326	RICK L. ALGER 1640 BLOOMINGTON RD MT VERNON IA 52314-9620 319-365-7269
DURACLEAN ECKSTEIN 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	STEVE BERNS 24351 W GRASS LAKE ROAD ANTIOCH IL 60002 847-395-2122	DOUGLAS R. HANNA 1003 SOUTH WASHINGTON LAKE MILLS IA 50450-1855 515-592-5772
DURACLEAN TOMASELLO 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	CHARLES N. RUSSELL 2236 OAK AVENUE NORTHBROOK IL 60062-5218 847-291-0230	RENEE RIDINGER 1968 HIGHWAY 218 MT PLEASANT IA 52641-2419 319-986-6613
CHARLES BLANK 1255 DEERE PARK LANE DEERFIELD IL 60015-3004 847-945-6565	ALFONSO D. SANTOYO 6125 SOUTH FAIRFIELD CHICAGO IL 60629-2329 773-476-1290	PHILIP PRICHARD 2435 HICKORY GROVE ROAD DAVENPORT IA 52804-2459 319-323-6318
DURACLEAN THOMAS 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	DURACLEAN GORST 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	JOHN R. HALL 520 FLOYDS FORK DRIVE SHEPHERDSVILLE KY 40165 502-957-3308
DURACLEAN / SHEDD 220 CAMPUS DRIVE ARLINGTON HEIGHTS IL 60004 800-862-5326	SCOTT A. CHIREMPES 1505 N. APPLEWOOD LANE SPRING GROVE IL 60081 815-675-0017	DURACLEAN JACKSON P.O. BOX 151 HAMMOND LA 70404-0151 985-345-8636
MARK JENSEN 3690 WHISPERING TRAILS DR HOFFMAN ESTATES IL 60195 847-776-8855	DURACLEAN RICHARDSON 808 WEST MAUMEE ANGOLA IN 46703-1324 260-665-3055	D'ANN GUIDRY 2459 ROYAL STREET NEW ORLEANS LA 70117-7845 504-945-2188

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CLEAMENTS MD 20624
301-259-2026

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313-582-3339

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10 EDGEW000 DRIVE
SOMERS POINT NJ 08244-1614
609-927-2552

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301-259-2026

COREY HEDRICH
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973-627-3492

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413-525-1129

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1510 E. PRESTON STREET
MT PLEASANT MI 48858-3536
989-773-4129

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518-449-5211

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GRAND BLANC MI 48439
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781-837-3899

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718-628-4996

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508-853-1992

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816-373-2603

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845-932-8475

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144 LONG LEAF DRIVE
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DICKINSON ND 58601-2742
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814-379-3390

SCOTT ZELL
12 MARKEL ROAD
MALVERN PA 19355
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SPINNERSTOWN PA 18968-0092
215-679-3550

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SIMPSONVILLE SC 29681
803-479-7876

MISTY MANER
1857 ROBIN ROAD
NORTH AUGUSTA SC 29841-3204
803-279-8842

RANDALL ROE
1140 MOSELEY AVENUE
IRMO SC 29063
803-732-2000

JASON BURGER
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MYRTLE BEACH SC 29587
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IRMO SC 29063
803-732-2000

RANDALL ROE
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SIMPSONVILLE SC 29681
803-479-7876

KENNETH G. SCHONEBAUM.
DURACLEAN SERVICE
MITCHELL SD 57301-0663
605-996-4043

KEVIN ADLOF
1824 N. BINKLEY
SHERMAN TX 75092
903-870-7012

OBERLIN O. FONSECA
1145 BEN LORA LANE
SAN BENITO TX 78586
956-399-1113

DOUG JERDET
10615 PERRIN BEITEL
SAN ANTONIO TX 78247-1319
210-653-8075

CHRIS RAD
12342 B FM620
AUSTIN TX 78750-1168
512-442-5326

LAWRENCE J. ROSNIAK
ROUTE #1 BOX 93R
EAST BERNARD TX 77435-9624
409-335-4375

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COLCHESTER. VT 05446
802-288-9496

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408 TIFFANY DRIVE
BRIDGEWATER VA 22812-9205
540-828-0125

MICHAEL SHIFFLETT
3445 SEMINOLE TRAIL STE 123
CHARLOTTESVILLE VA 22911
434-296-8510

STEPHEN RILEY
713 BEGGIN POND ROAD
MIDLOTHIAN, VA 23114
804-378-8178

LARRY R. FRITTS
309 W. WASHINGTON ST
CHARLES TOWN WV 25414-1546
304-725-973

ALAN J. JANKOWSKI
2901 MADISON AVENUE
PLOVER WI S4467
715-341-4797

JANICE ROSSEY
W253 MADISON AVENUE
OCONOMOWOC WI 53066
262-567-7774

THOMAS J. MURPHY
2159H S. MCKENZIE ST.
FOLEY, AL 36535
251-979-3513

DENNIS SHERWOOD
250 Church Road
Medford, NJ 08055
856-985-7777

MARCO HILDAGO
5727 NW 7TH ST # 296
MIAMI, FL 33126
305-902-4000

DOUGLAS HAKKINEN
99 STRYKER ROAD
FLORIDA, MA 01247
414-663-9782

JOHN YANCEY
1604 REX DRIVE
MARIETTA, GA 30066
770-434-9559

Exhibit G
List of Former Duraclean Franchises
Year Ending 12/31/~~2014~~2015

JEFF ENGLE
P.O. BOX 643
APPLETON WI 54912-0643
920-734-5444

MARK D. MATTKE
P.O. BOX 181
WOODRUFF WI 54568-0181
715-356-5813

MAX B. SCHRAMM
110 NORTH COUNTRY LANE
FRUIT HEIGHTS UT 84037-2270
801-544-0604

DAVID J. VOLK
2301 2ND AVENUE NW.
MINOT ND 58701-3376
701-838-2772

KERMIT PETERS
ROUTE 4 BOX 442-5
McALESTER OK 74501-9804
918-426-3500

DEXTER W. STALEY
21324 SCHAPPELLE LANE
CINCINNATI, OH 45240
513-793-2004

ROBERT J. FROST
6344 INCA STREET
ORLANDO FL 32807-4739
407-382-5520

Franchisee Organizations We Have Created, Sponsored or Endorsed

Duraclean has not created, sponsored or endorsed any Franchisee organizations.

Exhibit H2
Independent Franchisee Associations

Duraclean is not aware of any independent Franchisee associations.

Exhibit I
State Effective Dates

This Franchise Disclosure Document is registered, on file, exempt from registration, or otherwise effective in the following states with franchise registration and/or disclosure laws:

California	Effective Date: _____
Florida	Effective Date: _____
Hawaii	Effective Date: _____
Illinois	Effective Date: _____
Indiana	Effective Date: _____
Maryland	Effective Date: _____
Michigan	Effective Date: _____
Minnesota	Effective Date: _____
New York	Effective Date: _____
North Dakota	Effective Date: _____
Oregon	Effective Date: _____
Rhode Island	Effective Date: _____
South Dakota	Effective Date: _____
Virginia	Effective Date: _____
Washington	Effective Date: _____
Wisconsin	Effective Date: _____

Guarantee

The franchisor's obligations are not guaranteed by a parent or affiliate, therefore there is no guarantee required to be made in this disclosure document.

Exhibit K1
Initial Order

At Duraclean we don't make you fit the program, we make the program fit you! You can build your Duraclean franchise business to suite your likes, to fit your goals and in a manner that you are comfortable with. You can start with a small investment and grow your business as large as you like, providing one service or choose from the array of services provided by Duraclean.

With one franchise license you are authorized to provide any of the services supported by Duraclean. When you are ready to add a new service you can attend training and purchase the necessary equipment, solutions or supplies. *There is no need to purchase an additional franchise license!*

The initial franchise fee, \$57,900, includes the Franchise License, training manuals, Success Institute, van decals, printing, equipment, solutions, supplies, website and one year of Duraclean's business software.

In addition Duraclean distributes equipment, supplies and solutions for Mold Remediation, Advanced Upholstery & Drapery Cleaning, Tile and Grout Cleaning, Fire and Smoke Damage Restoration, Janitorial Cleaning, Hard Surface Floor Cleaning, Duct Cleaning and Trauma Cleanup.

Applicable tax and freight are additional on all orders. Franchise Disclosure Documents are filed with state authorities and approval can often take months. As a result prices are subject to change and new items may be introduced that are not included in these packages. These items will be made available to you at the time of training.

The equipment, solutions and supplies detailed below are included with your new franchise purchase

Item #	Description	Quantity
<u>8162</u>	Water Damage Restoration Technician's Meter Kit	1
8771	HydroSensor II	1
8982	LGR 7000Xli Dehumidifier	3
8306	Sahara Pro X3 Air Mover	4
8159	Velo Pro Air Mover	8
<u>7277</u>	Sapphire Rage Truck Mounted Cleaning System with pump clutch for Water Damage Restoration installed in your van.	1
	Fuel installation kit – Chevy or GMC	1
<u>7279</u>	Rage submount fresh water tank	1
<u>7280</u>	High Pressure solution hose reel	1
<u>7281</u>	Hose Reel vac hose only	1
<u>8916</u>	s/s 10 Gallon Chemical rack <u>Shelving Unit</u>	1
<u>7283</u>	s/s Furniture block holder	1
<u>7284</u>	s/s Furniture tab holder (3x3)	1

8981	Sapphire Upholstery Pro cleaning tool	1
8575	Stainless Steel "S" bend 12" Wand with Foam Nozzles	4
9229	Stainless Steel Stair Tool - short style with Foam Nozzle.	1
3196	Van Graphics Allowance Certificate - Save Up To \$1500 On Van Graphics When You Have Your Van Wrapped By Fastsigns®.	1
3199	Uniform Allowance Certificate. Receive a \$200.00 allowance on your first uniform or Image Wear order.	1
3220	RoutePoint Systems by Duraclean web based software... manage your business for success! Single user annual subscription.	1
<u>3192</u>	<u>Printing Allowance Certificate. Receive a \$250.00 allowance on your first printing order for Business Cards, Envelopes & Letterhead</u>	<u>1</u>
3431	Business card – full color 4/4 new style Duraclean with 'swoosh' at bottom. Printed both sides.	250
3414	Window No. 10 Size Envelope with firm name and address. One Color: Blue.	500
3432	Franchise letterhead – full color 4/0 new style Duraclean with 'swoosh' at bottom.	250
3131	Carpet & upholstery sell sheets	50
3137	Water damage sell sheets	50 100
3124	Pocket folders	50
<u>3231</u>	<u>Business Website Template Set Up Development with 12 months hosting & optimization</u>	1
<u>3232</u>	<u>Business Website Hosting / 12 months service</u>	<u>1</u>
<u>3233</u>	<u>Business Website Search Engine Optimization / 12 months service.</u>	<u>1</u>
1270-12pt	Universal Spotting Agent, case of 12, 16 oz bottles. An all-purpose spot remover for carpet & upholstery with your Tradestyle and phone number on the label.	4
1392	Fiberlock Shockwave, EPA Registered anti-microbial. Use on porous & non-porous surfaces in schools, hotels, hospitals, homes, commercial & industrial facilities. Kills 80+ organisms. Concentrated 2 OZ per gallon. 1 gallon.	4
1102-4	Soil Releaser I – 4 Gallon Case	1
1104-4	Soil Releaser II – 4 Gallon Case	1
1108-4	Sensi-Clean – 4 Gallon Case	1

Exhibit K1

1269-4	Fiber-One – 4 Gallon Case	1
1135-4	Durashield Plus – 4 Gallon Case	1
1263-12pt	DCS Spotter – 12 Pint Case	1
1235-12pt	Nutrileze – 12 Pint Case	1
1240-12pt	Rust Remover – 12 Pint Case	1
1312-4	Odor Gone – 4 Gallon Case	1
1267-4	Bioenzyme Deodorant – 4 Gallon Case	1
2135	Foam Block Leg Protectors – Box of 1008	1
3323	Foil Leg Protectors - Box of 1,000	1
2141	Professional Carpet Conditioning Tool, 18" head with handle.	1
2143	Handi-Groom Carpet Condition Tool, 6" Hand Tool.	1
2288	Utility scrub brush White nylon bristles are held in a molded, chemical-resistant block	1
2107	Nylon Tamping/Spotting Brush, White	1
<u>8930</u>	<u>HydroForce Pro Sprayer</u>	<u>1</u>
2272	Multipurpose 48 ounce Sprayer, Polyethylene Adjustable Nozzle	1
2273	Solvent Rated 48 OZ Sprayer with Brass Adjustable Nozzle and Viton Seals. Use for Cleaner, Degreaser and other Solvent Based Products.	1
2274	2-Gallon Heavy Duty Sprayer. Viton gaskets & valves.	1
2115	Corner Guard. Prevent costly claims from damaging paint or wall coverings. Lightweight and unbreakable.	4

Exhibit K2

Duraclean® FEES and SERVICES

ORIGINATION FEE FOR FIRST Duraclean FRANCHISE

US & Canada	\$19,500
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The total price for a Duraclean franchise is the above one-time "Training and Territory Rights" investment payment plus the price of equipment, accessories and supplies in the initial package.

ORIGINATION FEE FOR ANOTHER FRANCHISE (Same Owner)

US & Canada	\$13,250
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This Trademark and Territory Rights investment applies to an additional, separate franchise operated by the same owner from a different address.

MARKET SIZE EXPANSION

US & Canada	\$13,250
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Market area expansion of an existing franchise into an adjacent Primary Market Area but still operated from the same address.

SALE OF SERVICE FRANCHISE

US & Canada	\$13,250
-------------	----------

Transfer of Trademark and Territory Rights including Success Institute tuition including transportation and lodging, personalized printing and software allowance (package subject to change).

FRANCHISE RENEWAL

no charge

INTERNATIONAL FEES

The charges for origination of an international franchise, origination of a second international franchise, for market size expansion, and for the sale of an international franchise are based on the size of the territory and the services supported within that territory.

ADMINISTRATIVE SERVICES

Adding a partner	(use form 3337) *requires Success Institute attendance	\$ 250.00*
Dropping a partner	(use form 3338)	\$ 150.00
Computer Support (special issues)		
telephone	per 1/4 hour	\$ 25.00
on location	minimum 8 hours	\$ 800.00 plus expenses
	additional 1/4 hours	\$ 20.00
Returned Checks, each		
1 st occasion		\$ 25.00
2 nd occasion		\$ 40.00
3 rd occasion		\$ 60.00
Minimum Supply Order		\$ 25.00
Restocking Charge	% of order	15%
	minimum	\$ 10.00
Service Charges		
on unpaid balances	monthly	1.5%
late note payments	each	\$ 7.50

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Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Duraclean International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. Only Duraclean International, Inc. is authorized to offer the sale of franchises in the United States.

If Duraclean International, Inc. 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.

Vince Caffarello, Wilbur Gage, Danielle Canup, Michael Higgins, Randall Roe, Chip Huggins and Courtney Johnson are employees of Duraclean and registered as sales agents for Duraclean. The address is 220 Campus Dr., Arlington Heights, IL60004 and the telephone number is 800-251-7070.

Date of Issuance: March 27, 2016

Disclosure of agents for service of process is found at Exhibit D.

Duraclean authorizes the Attorney General State of Illinois 500 South Second Street, Springfield, Illinois 62706 to receive service of process for Duraclean.

I have received a disclosure document dated March 27, 2016 that included the following Exhibits:

- | | |
|---|--|
| A Franchise Agreement & Related Materials | F List of Franchisees |
| State Addenda to Franchise Agreement | G List of Former Franchisees |
| Exhibits to Franchise Agreement; | H1 Franchisee Organizations We have Created, Sponsored or Endorsed |
| Exhibit 1 – Franchised Territory | H2 Independent Franchisee Associations |
| Exhibit 2 – Confidentiality/Non-Competition | I State Effective Dates |
| Exhibit 3 – Guarantee | J Guarantee |
| B Financial Statements | K1 Initial Order |
| C State Administrators | K2 Duraclean Fees and Services Form |
| D Agents for Service of Process | K3 Table of Contents - Manuals |
| E State Addenda to Franchise Disclosure | L Receipt |

PROSPECTIVE FRANCHISEE

Date Received: _____

If a business entity:

If an individual:

Name of Business Entity

Print Name

Signature of Authorized Partner, Member or Officer

Signature

Title

Print Name

KEEP A COPY FOR YOUR RECORDS. This disclosure document is also available in pdf format on our website, www.duraclean.com.

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