



## FRANCHISE DISCLOSURE DOCUMENT

**Chem-Dry, Inc.**  
**(f/k/a Harris Research, Inc.)**  
**A Utah Corporation**  
**3310 West End Avenue, Suite 620, Nashville TN 37203**  
**[www.chemdry.com](http://www.chemdry.com) 800-841-6583**

**[info@belfrangroup.com](mailto:info@belfrangroup.com)**

The franchise offered is for the establishment and operation of a business offering carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services, utilizing the Chem-Dry® Franchised Business system, which is sometimes referred to below as the “Franchise” or “Franchised Business.”

The total investment necessary to begin operation of a Chem-Dry Franchised Business is \$1 ~~17,641~~ ~~7,645~~ to \$240,995 for a Standard Territory, and \$99,645 to \$222,995 for a Small Territory. This includes \$105,495 - \$111,495 for a Standard Territory, and \$87,495- \$93,495 for a Small Territory that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact your sales representative at 3310 West End Ave., Suite 620, Nashville, TN 37203.

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 the contract carefully. Review your contract and this disclosure document to an advisor, such as a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make an informed decision. More information on franchising, such as “[A Consumer's Guide to Buying a Franchise](#),” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also

visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

**Issuance date: March 28, 2025, [as amended June 30, 2025](#)**

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Tennessee. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Tennessee than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
- 3-5. **Turnover Rate.** During the last 3 years, a high percentage of franchised outlets (more than 40%) were terminated, not renewed, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

minimum wages, overtime and working conditions. There may be federal, state and local laws which affect your Chem-Dry Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

## **ITEM 2: BUSINESS EXPERIENCE**

### President: Edward Quinlan

Mr. Quinlan became President of Chem-Dry, in Logan, Utah, in October 2019. Previously, he served as Senior Vice President of Operations of Chem-Dry from July 1, 2018 and was Director of Marketing in Logan, Utah from July 2006 until July, 2018.

### Vice President of Franchise Operations: Christopher Seman

Mr. Seman became Vice President of Franchise Operations for CDI, in Ann Arbor, MI, in June 2025. Prior to his role with CDI, he was President and Chief Development Officer of Strategic Franchising in Blue Ash, Ohio from January 2012 until December 2024.

### Director of Operations: Kati Buckland

Ms. Buckland became our Director of Operations in Ann Arbor, MI on October 14, 2024. She joined Chem-Dry on August 15, 2022 as Director of New Franchise Owner Success and was located in our Logan, UT office. Prior to that Ms. Buckland was a Chem-Dry franchisee located in Albuquerque, NM from Sept 2000 through August 2022.

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

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

### Chief Executive Officer of BELFOR Franchise Group, LLC: Sheldon Yellen

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

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

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

Senior Vice President of Legal and Franchise Administration: Melanie Parker

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

Senior Vice President of Franchise Sales and Development: Doug Smith

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

Senior Vice President of Marketing: Abigail Baker

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

Chief Financial Officer: Janette Sims

Ms. Sims became Chief Financial Officer for CDI, and NHI, in Nashville, TN, in November 2020. Previously she was Controller of CDI and NHI from August 2014 until November 2020.

### ITEM 3: LITIGATION

Prior Claims:

Pending Claim:

Chem-Dry, Inc., v. SSCD, Inc., Walter Shipman, and Betsy Shipman, Case No. 1:25-cv-01401 (US Dis. Ct. Filed Feb. 10, 2025). This matter was filed by CDI against former franchisees for breach of their post-termination covenants against competition, breach of contract, violation of trade dress, unjust enrichment, and other related claims. The parties are actively pursuing a settlement.

Prior Claim:

Hospitality Future Labs, LLC and Adam Schroder v. Harris Research, Inc., et al., No.: 22-0000081 (Haw. Cir. Ct. Filed March 24, 2022). This matter was filed in the Circuit Court of Hawai'i, Second Circuit by a former Chem-Dry franchisee against HRI and several individual defendants alleging breach of contract, breach of fiduciary duties, tortious interference, defamation, conversion, statutory violations, and infliction of emotional distress. There was a parallel arbitration proceeding as *HRI v. Hospitality Future Labs, LLC and Adam Schroder*, AAA No. 01-21-0004-1006, before the American Arbitration Association. The parties settled the matter on

Name of Fee (Note 1)	Amount	Due Date	Remarks (Note 1)
			reason
<u>Liquidated Damages</u>	<u>The sum of Royalties paid over the past 36 months, or the Minimum Royalty for 36 months, whichever is greater</u>	<u>Within 30 days of termination of the franchise agreement.</u>	<u>Payable upon termination of the franchise agreement prior to its expiration.</u>

Notes:

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

1. All fees, unless otherwise specified, are uniformly imposed and collected by and payable to us. All fees are non-refundable and deemed fully earned upon payment.
2. Subject to the Minimum Monthly Royalty Requirement, you shall pay to us a tiered monthly royalty, subject to the stated monthly minimum, as follows (collectively, the “Royalty”):

Annual Gross Sales for Standard Territory	Royalty Percentage Due
“Tier 1”: \$0 to \$500,000	7% on Tier 1 Gross Sales
“Tier 2”: \$500,001 to \$1,000,000	6% on Tier 2 Gross Sales
“Tier 3”: \$1,000,001 to \$1,500,000	5% on Tier 3 Gross Sales
“Tier 4”: \$1,500,001 and up	4% on Tier 4 Gross Sales

Annual Gross Sales for Small Territory	Royalty Percentage Due
“Tier 1”: \$0 to \$250,000	7% on Tier 1 Gross Sales
“Tier 2”: \$250,001 to \$500,000	6% on Tier 2 Gross Sales
“Tier 3”: \$500,001 to \$750,000	5% on Tier 3 Gross Sales
“Tier 4”: \$750,001 and up	4% on Tier 4 Gross Sales

<b>NEW BUYER TRAINING/INITIAL TRAINING PROGRAM</b>	<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
<b>Day of Training</b>				
	Methods, Area Rug Cleaning and Identification of Rug Types			
<u>TOTAL</u>		<u>27</u>	<u>17</u>	

***11.13 Additional Training***

If this is a renewal term or if this is an additional Chem-Dry Business being awarded to you, and your Managing Owner or, if applicable, the Designated Manager, have already attended Initial Training, the requirement that you attend Initial Training is waived, except as with respect to the JumpStart online training modules and continuing training obligations. In such cases, if your Managing Owner or, if applicable, the Designated Manager do attend Initial Training, you will be assessed our then-current training fee, which is currently \$500 per person, per event. You will also be responsible for all travel and living expenses that you and your employees/owners incur while training.

The Managing Owner or, if applicable, the Designated Manager, must attend the Convention every year it is offered and pay our then-current registration fee, which is currently (a) \$1,000 maximum registration fee per person to attend the Convention, and (b) \$0 to \$500 registration fee per person per event for Regional Meetings. The Managing Owner or, if applicable, Designated Manager also must attend periodic refresher training courses and conferences, not to exceed one event per year, at the times and locations we determine, and for which we may charge the fees described above. We will determine the duration, curriculum, and location of any such sessions. You will be responsible for all travel and living expenses that are incurred by you or your employees/owners while attending such sessions.

***11.14 Accounting and Financial Reporting***

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

1. On the 5<sup>th</sup> day of each month, a report of Gross Sales obtained in the prior month;
2. on the 15th day of each month of the Chem-Dry Business’ operation, an unaudited income statement for the preceding calendar month, in a form satisfactory to us, and such additional reports as we may require
3. within 90 days after the close of your fiscal year, a complete income statement and other financial statements in a form we may prescribe in our sole discretion;

4. within 10 days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the Chem-Dry Business, as well as the state, federal and other income tax returns from your existing business(es) that provide carpet cleaning, upholstery cleaning, spot removal, hard surface cleaning, and other services, which we may need to review to assure all Gross Sales have been accurately reported;
5. by November 1 of each year, financial projections and a marketing plan for the upcoming year in the form we may prescribe in our sole discretion; and
6. any other reports we may require in the future.

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

If you fail to provide the information listed above as requested, we may require you to give us independent access to your specific online accounting software, so we may obtain the required financial reports, for which there may be a fee.

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

## **ITEM 12. TERRITORY**

### 12.1 The Territory

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

You will operate the Chem-Dry Business from a location and within the Territory that we approve (the “Approved Location”). The Territory will be identified in the Summary Page to the Franchise Agreement. You may not perform Services or advertise the Services outside of your protected Territory. Your protected Territory will consist of specific zip-code(s) that have been awarded to you.

A Territory will have approximately 100,000 to 150,000 households for a Standard Territory and approximately 75,000 for a Small Territory, although you may purchase additional population for the Standard Territory for a cost of \$0.20 per household up to a maximum of 180,000 households. We identify your Territory zip codes as determined by Census Bureau statistics. You will sign a franchise agreement for each Territory purchased. As of the date of this Disclosure Document, we are utilizing data that has been collected by a national demographics company to determine the number of households in each Territory. During the term of the Franchise Agreement, we will not allow you to relocate the Territory; however, the exact boundaries of the Territory may change in the future, as future zip code changes are made by the United States Postal Service or Census Bureau.

We have the right to restrict the number of Territories in any given geographic area.

### 12.2 Relocation

You may relocate the Approved Location within the Territory at your sole discretion but must immediately notify us of the change in address. You may not establish an office outside the Territory.

### 12.3 Territorial Protections

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

During the Term of the Agreement, we will not license to others the right to operate business using the Chem-Dry Marks and providing the Services through a franchise location within your Territory.

Although we are not required to do so, we reserve the right to manage any project or enterprise undertaken jointly by two or more Chem-Dry franchisees and to limit or prohibit your negotiating directly with other Chem-Dry franchisees on these jobs. Further, we reserve the right to establish and service NORAs both within and outside your Territory, as described below in Section 12.4, and to use the Chem-Dry Marks in other manners not specifically granted to you by the Franchise Agreement, both within and outside your Territory, examples of which are described in more detail in Section 12.5 below.

### 12.4 National or Regional Accounts (“NORAs”)

We have the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide services to National or Regional Account (“NORA”) customers. The term NORA includes any customer which on its own behalf or through agents, licensees, or other third parties owns, manages, controls, or otherwise has responsibility for a business in more than one location, for the benefit of the System, and regardless of the aggregate contract amount of the services to be performed. Any dispute as to whether a particular customer is a NORA shall be determined by us in our sole discretion and our determination shall be final and binding. Following the execution of a contract with or the acceptance of a bid by a NORA customer which contemplates the provision of services to one or more NORA customers who are located in your Territory, we may, if you are qualified to perform the services and conditioned upon your substantial compliance with the terms of the Agreement and any other applicable agreements, provide you the opportunity to perform such services pursuant to the terms and conditions of the NORA contract or on such terms and conditions as we, at our sole discretion, determine are appropriate. You agree to provide services to all NORA customer referrals within your Territory. You further agree to provide all services in strict adherence to the Chem-Dry performance and process standards and all service guidelines and performance standards of the NORA. You may be required to enter into a service agreement to participate in certain NORA programs.

If you are not able, in our discretion, or not willing to provide services to a NORA customer in conformity with the terms and conditions of the NORA contract, or fail to make an election within the time we specify after being offered the opportunity, we have the right, exercisable in our sole discretion, to (i) provide, directly or through any affiliate or other franchisee, services to the NORA customer; and/or (ii) contract with another party to provide such services to the NORA customer. In either event, neither you nor the Chem-Dry Business shall be entitled to any proceeds from the provision of Services provided to the customer of a NORA.

franchisee, or Company-Owned Store we designate may provide Services in the Territory. Neither the franchise, Company-Owned Store nor we are liable or obligated to pay you any compensation for doing so, and neither the franchise nor we will be considered in breach of any provision of this Agreement or any other agreement between you and us regardless if the Minimum Monthly Gross Sales Requirement are achieved in the future.

If this is a renewal term, you will be required to meet the Minimum Gross Sales requirement for the greater than 61+ month level for the first year of the Renewal Term. For all subsequent years of the Renewal Term, you must achieve Minimum Gross Sales growth of at least three percent (3%) per year, each year.

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

### ITEM 13: TRADEMARKS

We own the common law trademarks, service marks, trade names, logotypes, and numerical symbols listed below and licensed us the right to use such marks for promotion, use, license, and sale throughout the United States, its territorial possessions, and the District of Columbia. The Franchise Agreement grants to you the license to operate the System under the Chem-Dry name and under any other trade names, trade dress, indicia, trademarks, service marks, and logos currently used or that may be used in the operation of the System.

The following trademarks, service marks, trade names, logotypes, or other commercial symbols have been applied for with the United States Patent and Trademark Office (“USPTO”), and such applications are still pending, and all required affidavits have been filed unless otherwise noted:

MARK	SERIAL/ REGISTRATION NUMBER	APPLICATION DATE/REGISTRATION DATE	REGISTER
Chem-Dry	1119887	June 12, 1979, renewed June 13, 2019	Principal
	<a href="#">2793715</a>	<a href="#">December 16, 2003,</a> <a href="#">Renewed March 19, 2024</a>	<a href="#">Principal</a>
The Healthier, Deeper Carpet Cleaner	7202835	October 24, 2023	Principal
The Natural	1762324	October 7, 2023	Principal

non-monetary obligations, including post-termination obligations, including the covenant not to compete, among others.

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

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

You must offer and provide only the Services that we periodically require for Chem-Dry franchisees in the manner that we prescribe, and you may only provide the Services we have authorized. You may not market or perform any other services, except the Services, without our express, prior written approval. There are no limits on our right to periodically change required and/or authorized services and service categories, and we may do so at our discretion. Other than the advertising and territorial restrictions (See Item 12), we do not restrict the types of customers that you may service through your Chem-Dry Business.

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

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

##### **THE FRANCHISE RELATIONSHIP**

	<b>Provisions</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 1.C	10 years.
b.	Renewal or extension of the term	Section 11.A	One additional, consecutive term of 10 years.
c.	Requirements for franchisee to renew or extend	Section 11	In order to renew you must: (i) be in compliance with your Franchise Agreement; (ii) not have made certain repeated defaults of your Franchise Agreement; (iii) not have failed to make payments repeatedly, (iv) have serviced customers in a manner consistent with System Standards, (v) provide us with notice of your intent to renew <u>no earlier than 9 months and no later than 6 months before expiration of your franchise agreement</u> <del>within the required time</del> ; (vi) sign our then-current franchise agreement, which may

<b>Texas</b>	0	4	0
<b>Utah</b>	0	1	0
<b>Virginia</b>	0	2	0
<b>Washington</b>	0	1	0
<b>Wisconsin</b>	0	1	0
<b>Total</b>	<b>5</b>	<b>53</b>	<b>0</b>

Exhibit F to this Disclosure Document includes the names, addresses and telephone numbers of all franchise owners as of the issuance date of this document. Exhibit G includes the name, city and state, and the current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement between January 1, 2024 and December 31, 2024, or who has not communicated with us within ten weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, former franchisees have signed confidentiality agreements restricting their ability to speak with you. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

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

## **ITEM 21: FINANCIAL STATEMENTS**

Exhibit B contains the audited financial statements of our affiliate, BFG Holdco, which guarantees our obligations to you, for the years ending December 31, 2024, December 31, 2023, and December 31, 2022-, [and our unaudited financial statements as of March 31, 2025](#). Our fiscal year-end is December 31.

## **ITEM 22: CONTRACTS**

The following contracts are exhibits within this Disclosure Document:

Exhibit A: Form of Agreements:

A-1 - Franchise Agreement and Addenda

A-2 - Promissory Note

A-3 - Confidentiality / Non-Disclosure Agreement

provision of this Agreement or any other agreement between you and us for exercising the remedies set forth in this paragraph, regardless of whether the monthly Minimum Gross Sales Requirement is achieved in the future.

The Minimum Gross Sales must be met for each Territory as described in the Summary Page of the Franchise Agreement.

If this is a Renewal Term, you will be required to meet the Minimum Monthly Gross Sales requirement for the greater than 61+ month level for the entirety of the Renewal Term in year 1 of the Renewal Term, and Gross Sales must continue to grow at a rate of at least three percent (3%) per year in each year of the Renewal Term.

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

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

Recognizing the value of advertising to the image and growth of Franchised Business, we may, from time to time in our business judgment, provide you with sample advertising and promotional programs and select creative concepts and materials for use in connection with marketing the Franchised Business. These materials may include direct mailers, print advertising, brochures and other materials. The type, content, media, quality and amount of such advertising and promotional programs are within our best interest and judgment.

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

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

You will be required to spend 5% of your Gross Sales annually on local advertising and marketing for your Franchised Business. You are also required to be a member of at least one

2. Chem-Dry Services and Chem-Dry Products which we authorize or require that you to sell to the public;
3. the use of supplies and equipment;
4. a dress code, during business hours, for you, your employees and your representatives;
5. suppliers and vendors you may use for advertising, inventory, equipment, technology, the purchase of products, inventory, equipment, uniforms for you, your employees and your representatives, and other services, products, and items to be used in the operation of the Franchised Business;
6. vehicle type, model, condition, color, supplier, trademark representation, and appearance. These specifications are included in our Operations Manual. All vehicles purchased or leased for the Franchised Business are to be, and maintained, in a “good” condition as defined by KELLY BLUE BOOK (“good” condition means that the vehicle is free of any major defects). The paint, body and interior must have only minor (if any) blemishes, and there may not be any major mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in connection with the business are to be decaled as required by us and the decals are to be free of defects. You will be required to submit photos of all vehicles used in connection with the Franchised Business in the manner and format we prescribe;
7. business forms and stationary;
8. designated and approved suppliers for business assets and supplies using our Marks;
9. types and amounts of insurance coverage;
10. compliance with applicable laws including obtaining required licenses and permits, payment of all taxes, assessments, fees, fines, and penalties arising out of the operation of the Franchised Business;
11. adhering to good business practices, observing high standards of honesty, integrity, fair dealing, and ethical business conduct in all dealings with customers (including, but not limited to, maintaining, at all times, professional behavior with all Customers, vendors and our personnel), suppliers, and us, and notifying us if any action, suit, or proceeding is commenced against you or your legal entity;
12. general operations including maintaining, at a minimum, Monday through Friday 8:00 AM to 5:00 PM business hours, sales, marketing, advertising, and promotional programs, call center usage, phone type/model/provider, and materials and media used in these programs, personnel practices, bookkeeping, accounting, data

establish and maintain, at your expense, an accounting system that conforms to the requirements and formats that, from time to time, we prescribe, which is currently QuickBooks Online and is subject to change. In addition, you are required to follow our specified chart of accounts. We have the right to change these requirements at our discretion. We may require you to provide us with automatic password access to your financial reports on this system, but we do not exercise that right at this time.

You shall furnish to us, in the manner and format that we require:

1. On the 5<sup>th</sup> day of each month, a report of Gross Sales obtained in the prior month;
2. On the 15<sup>th</sup> day of the month or within 48 hours of request, an unaudited income statement for the requested time period in a form satisfactory to us, and such additional reports as we may require;
3. Within 90 days after the close of your fiscal year, a complete income statement and other financial statements in a form we may prescribe in our sole discretion;
4. Within ten (10) days of our request, exact copies of any state, federal, or other income tax returns covering the operation of the Franchised Business, as well as the state, federal and other income tax returns from any additional business(es) you own which we may need to review to assure all Gross Sales have been accurately reported;
5. By November 1 of each year, financial projections and a marketing plan for the upcoming year in the form we may prescribe in our sole discretion; and
6. Any other reports we may require in the future.

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

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

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

You will, at your expense, secure and maintain in force all required licenses, permits, and certificates relating to the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable local, state and federal laws, rules and regulations. You must, at your expense, comply with all federal, state, and local laws and regulations that apply

15. You commit three (3) or more defaults of this Agreement, of any type, in any 12-month period;
16. If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, or any lease for the Office Site, and fail to cure such breach within any permitted period for cure;
17. If you or your principals materially violate any provision hereof pertaining to Marks or Confidential Information or misuse the Marks or Confidential Information;
18. If you violate any safety or sanitation law, ordinance or regulation or operate the Franchised Business in a manner that presents a health or safety hazard to customers, or the general public;
19. If you violate the in-term restrictive covenant contained in Section 6;
20. If a levy of writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets which is not released or bonded against within 30 days;
21. If you or any of your principals become insolvent;
22. You order or purchase supplies, signs, furnishings, fixtures, equipment, vehicle, or inventory from an unapproved supplier;
23. You misuse or make unauthorized use of any Software or Required Software that we may develop for use in connection with the System;
24. You fail to comply with the provisions of Section 15.S;
25. You take for your own personal use any assets or property of the Franchised Business, including employee taxes, FICA, insurance or benefits; or
26. If there are insufficient funds in your bank account to cover a check or EFT payment to us three (3) or more times within any 12-month period or you fail to achieve minimum sales for three (3) consecutive months.

~~26.27.~~ You commit three (3) or more instances of Out-of-Territory Conduct.

### **C. TERMINATION IF NOT CURED.**

We have the right to terminate this Agreement if any of the following defaults remains uncured after your receipt of a default notice from us, and if such defaults are not cured. Unless otherwise specified below, all defaults must be cured within thirty (30) days of our delivery of the default notice:

1. You fail to make payment of any amounts due to us, [our affiliates, our affiliates' franchisees](#), or funds are not available in your account for debiting when they are due, [and such deficiency is not cured within five \(5\) days](#), or you default on any loan made to you by us or our preferred lender, if applicable, in connection with your Franchised Business, and such default is not cured within five (5) days;
2. You fail to have in your employ for a period of two (2) consecutive months (a) at least one (1) Service Technician, or (b) a Designated General Manager, if you are required to have one.
3. You fail, within 15 days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Franchised Business;
4. You fail to comply with any part or condition, warranty, or certification requirement in this Agreement, the owners' intranet website, Operations Manual and/or other confidential materials;
5. You fail to comply with modifications to System Standards on the owners' intranet website, or in the Operations Manual within the required time period;
6. You fail to make payments on the vehicle resulting in repossession and you do not have a vehicle that meets our standards to operate the Business;
7. You fail to receive our prior written approval and use products or materials that do not meet our System Standards and/or do not promptly discontinue use after written notice from us;
8. You fail to timely provide us with any report, statement, or return required by this Agreement;
9. You fail to service all Customers in a manner consistent with our System Standards and reputation and you fail to cure such inconsistency;
10. You market or advertise in the outside of your Territory without permission;
11. You establish an office location outside of your Territory without our prior written consent;
12. You fail to immediately endorse and deliver to us any payments due to us from any third party that is erroneously made to you;
13. If you fail to maintain the prescribed months, days, or hours of operation at the Franchised Business;

whatsoever, including but not limited to any cause arising out of or in any way connected to a technology related problem, such as high speed internet connection, electronic mail, software, website, computer, phone systems and other electronic equipment, ~~or~~ call center, or software-as-a-service or other required online platforms or applications (i.e. Google MyBusiness and other internet profiles).

## **15. ENFORCEMENT.**

### **A. SEVERABILITY.**

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement, the owners' intranet website, or the Operations Manual, and any present or future statute, law, ordinance, or regulation, contrary to which the parties have no legal right to contract, the latter will prevail, but if the provisions of this Agreement, or the Operations Manual thus affected, will be curtailed and limited only if necessary to bring them within the requirements of the law. In the event that any part, article, paragraph, sentence, or clause of this Agreement, the owners' intranet website, or the Operations Manual, will be held to be indefinite, invalid, or otherwise unenforceable, the indefinite, invalid, or unenforceable provision will be deemed deleted, and the remaining part of this Agreement will continue in full force and effect.

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

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

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

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

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

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

- a. Any federally protected intellectual property rights in the Marks, the System, trade secrets, or Confidential Information;
- b. Any claims pertaining to or arising out of any warranty issue;
- c. Any of the restrictive covenants contained in this Agreement;
- d. Any claims arising out of or related to fraud or misrepresentation by you or your insolvency;
- e. Any claims where damages alleged are less than \$50,000.

4. Selection of Venue. Nothing contained in this Agreement shall prevent us from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect our interests. The parties expressly agree to the exclusive jurisdiction and venue of any court of general jurisdiction in Davidson County, Tennessee or the United States District Court for the Middle District of Tennessee. You acknowledge that this Agreement has been entered into in the State of Tennessee, and that you are to receive valuable and continuing services emanating from our headquarters in Nashville, Tennessee, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, you hereby irrevocably consent to the personal jurisdiction of the state and federal courts of the State of Tennessee as set forth above and waive any objection you may have to either the jurisdiction or venue in such court. In the event that you file an action in any forum or jurisdiction in violation of this Section 15.F.3, you shall pay our costs and fees, including our reasonable attorneys' fees, in connection with any efforts to order the dispute to the proper forum or jurisdiction.

5. Prior Notice of Claims. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

6. Third Party Beneficiaries. Our officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the ~~arbitration~~mediation provision set forth in this Section 15.F, each having authority to specifically enforce the right to ~~arbitrate~~mediate/litigate claims asserted against such person(s) by you.

## **G. INJUNCTIVE RELIEF.**

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

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

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

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

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

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

**J. BINDING EFFECT.**

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

**K. LIMITATIONS OF CLAIMS.**

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

**EXHIBIT B  
TO THE FRANCHISE AGREEMENT**

**FRANCHISE MANAGEMENT SOFTWARE LICENSE AGREEMENT**

Franchisor grants a renewable license (“License”) to Licensee, upon the terms included in this Agreement and subject to all the terms of a Franchise Agreement between Franchisor and Licensee signed concurrently with this Agreement.

Licensee shall, during the term of this Agreement and upon the start of their Business, pay Franchisor a ~~recurring weekly~~ usage/support/upgrade fee. The amount of this fee may change periodically at the discretion of Franchisor. Failure to make any payment shall result in the immediate termination of this License.

**TERMS AND CONDITIONS**

1. **License Grant:** Franchisor grants to Licensee a renewable License to use the Franchise Management Software System (“Product” or “Software”), and all subsequent upgrades, on Licensee’s computer. This License does not extend to other parties, even if they use the same computer. Franchisor reserves the right to issue new modules, which may be separately licensed.
2. **Title:** Title to the Product shall remain with Franchisor.
3. **Term:** This License is a quarterly license. It shall automatically renew each quarter and shall remain in effect throughout the term of the Franchise Agreement between Franchisor and Licensee.
4. **Copies and Listings:** The Licensee shall not copy or reverse-engineer the Product in whole or in part, nor shall it permit other parties to do so.
5. **Protection of Product:** Licensee agrees not to make available to any party the Product or any of its parts. Licensee agrees to take appropriate action with its employees and any other parties to obtain assurances of non-disclosure consistent with this Agreement.

Licensee recognizes that the Product is Franchisor’s copyrighted property, represents a large investment of human and financial resources by Franchisor, is a trade secret of Franchisor, and is confidential information. Licensee agrees to keep the Product, and all related materials, confidential. Licensee will use its best efforts, including any reasonable security precautions as Franchisor may request, to ensure that the proprietary rights of Franchisor are preserved to the fullest extent possible

- a. The Territory defined in the Franchise Agreement;
  - b. The geographic area encompassed by the Territories of any other franchisees, Company Stores, or any other Franchised Business operator, as of the date of the termination or expiration of the Franchise Agreement; or
  - c. A geographic area that is contained in a circle having a radius of 50 miles outward from the outside boundary of the Territory as defined in the Franchise Agreement.
- 3) **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein will not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor will be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable, and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article III will be tolled during any default under this Personal Guaranty.

#### **ARTICLE IV DISPUTE RESOLUTION**

- 1) **Acknowledgment.** You acknowledge that this Personal Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its system.
- 2) **Governing Law.** This Personal Guaranty will be deemed to have been made in and governed by the laws of the State of Tennessee without reference to its conflict of laws principals).
- 3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first will survive the termination or expiration of this Agreement.
- 4) **ArbitrationMediation.** At Franchisor's option, all claims or disputes between you and Franchisor arising out of, or in any way relating to, this Personal Guaranty or the Franchise Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted ~~to first to non-binding arbitrationmediation~~, in Nashville, Tennessee under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial ~~ArbitrationMediation~~ Rules then in effect. ~~Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice~~

~~to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to arbitrate mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of arbitration mediation and the parties will share the cost of the arbitrator mediator. This agreement to arbitrate mediate at our option will survive the termination or expiration of the Franchise Agreement.~~

- a) The parties will not be required to first attempt to arbitrate mediate a controversy, dispute, or claim through arbitration mediation as set forth in this Section IV if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):
- (1) Any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;
  - (2) Any claims arising out of or pertaining to any warranty issued; or
  - (3) Any of the restrictive covenants contained in this agreement;
  - (4) Monetary sums where damages alleged are less than of \$50,000.
- 5) **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the Franchise Agreement and this Personal Guaranty, and the arbitration mediation provisions contained herein, each having authority to specifically enforce the right to ~~mediate and~~ arbitrate claims asserted against such person(s) by you.
- 6) **Injunctive Relief.** Nothing contained in this Personal Guaranty will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation arbitration proceeding or pending the trial or handing down of a decision or award pursuant to any arbitration mediation or judicial proceeding conducted hereunder.
- 7) **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation arbitration, the parties expressly agree to submit to the jurisdiction and venue of any court of general jurisdiction in Davidson County, Tennessee and the jurisdiction and venue of the United States District Court for the Middle District of Tennessee.
- 8) **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR

EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY GOODS OR SERVICES.

- 9) **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) that you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery will be limited to actual damages. If any other term of this Personal Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.
- 10) **Limitation on Action.** You agree that no cause of action arising out of or under this Personal Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense or set-off.
- 11) **Attorneys' Fees.** If either party institutes any mediation, [arbitration](#), ~~action~~ or judicial proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Personal Guaranty and the Franchise Agreement, and Franchisor prevails in such action, you will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.
- 12) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Personal Guaranty will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.
- 13) **Severability.** The parties agree that if any provisions of this Personal Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Personal Guaranty will be construed according to fair meaning and not strictly construed against either party. The provisions of this Personal Guaranty are severable, and this Personal Guaranty will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable

provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Personal Guaranty will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Personal Guaranty.

- 14) **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Personal Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Personal Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Personal Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.
- 15) **Successors.** References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ successors, assigns or transferees.
- 16) **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in this Personal Guaranty or in the Franchise Agreement or based on any oral communications that may be ruled to be binding in a court of law will be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company will be personally liable to Franchisee or you for any reason.

<u>Guarantor Name</u>	<u>Ownership Percentage</u>

**PERSONAL GUARANTOR(S)**

**SPOUSE(S)**

\_\_\_\_\_  
**Name:**  
**Address:**  
**Phone Number:**  
**Email:**

\_\_\_\_\_  
**Name:**  
**Address:**  
**Phone Number:**  
**Email:**

\_\_\_\_\_  
**Name:**

\_\_\_\_\_  
**Name:**

## ADDENDUM TO THE FRANCHISE AGREEMENT

### MARYLAND

This Addendum relates to franchises sold in the state of Maryland and/or to residents of the state of Maryland and is intended to comply with Maryland statutes and regulations. In consideration of the execution of the Franchise Agreement, CDI and Franchisee agree to amend the Agreement as follows:

1. The Franchise Agreement is amended by the addition of the following language:

The representations hereunder are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland franchise Registration and Disclosure Law.

2. The following provision is Section 15.L of the FA is deleted in its entirety: “You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our Franchised Business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.”

3. The following provision is Section 15.L of the FA is deleted in its entirety: “You acknowledge that you have not received any express or implied representations or warranties regarding the sales, earnings, income, profits, gross revenues, business or financial success, value of the franchise, provided by us or our representatives or any other matters pertaining to the franchise from us or any of our officers, employees or agents that were not contained in this Agreement or the Franchise Disclosure Document received by you (hereinafter “Representations” You further acknowledge that if you had received any such Representations, you would not have executed this Agreement, and you would have: (a) promptly notified us in writing of the person or persons making such Representations; and (b) provided to us a specific written statement detailing the Representations made. You acknowledge that we justifiably have relied on your representations made before the execution of this Agreement.”

4. Our right to terminate pursuant to Section 15(15) of the Franchise Agreement if you commence bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. 101 et seq.).

5. Sections 17 (b), (c) and (d) of the FA are deleted in their entireties.

6. The acknowledgements Section 1(a)(iii) of the Franchise Agreement and the following language from Section 18 (a) of the Franchise Agreement, are deleted: “By signing this Agreement, FRANCHISEE certifies that it has received and reviewed CDI’s Franchise Disclosure Document along with its Exhibits and this Agreement and its Exhibits fourteen (14) calendar days, or a different period if applicable where FRANCHISEE is located, prior to signing this Agreement or prior to paying any monies to CDI or its affiliates.”

74. Section 17 of the Franchise Agreement is amended by the addition of the following language:

8. The following provision in Section 18 of the FA is deleted in its entirety: “YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF THAT HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.”

9. The following provision in Section 18 of the FA is deleted in its entirety: “YOU ACKNOWLEDGE THAT WE HAVE RECOMMENDED, AND THAT YOU HAVE HAD THE OPPORTUNITY TO OBTAIN, REVIEW THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT BY YOUR LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF. Pursuant to the Maryland Franchise Registration and Disclosure Law, the Franchisee is permitted to bring a lawsuit in Maryland for claims arising under this Law.

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

116. The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

127. Sections 13 and 14 of the Agreement is amended by the addition of the following language:

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

149. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

150. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. Maryland franchisees and/or those operating outlets within the State of Maryland are not to sign the Disclosure Questionnaire attached as Exhibit I.

161. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. We have secured a surety bond in the amount of \$72,145, which is on file with the Commissioner.

172. All other rights, obligations, and provisions of the Franchise Agreement shall remain in full force and effect. This Addendum is incorporated in and made a part of the Franchise Agreement for the State of Maryland.

In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

FRANCHISEE

CHEM-DRY, INC.

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

6. Any limitations on claims is amended to conform to Minnesota Statutes, Section 80C.12, subdivision 1(g).

7. [NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \\$30 on service charges.](#)

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

98. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

FRANCHISEE

CHEM-DRY, INC.

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## ADDENDUM TO THE FRANCHISE AGREEMENT

### WASHINGTON

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial,

may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition

covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

**15. Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

**17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

**Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise. The state of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

**18.**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

- ~~— RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~
- ~~— In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~
- ~~— A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial may not be enforceable.~~
- ~~— Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.~~
- ~~— Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~
- ~~— RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~
- ~~— We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.~~
- 19. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor,

~~franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~ The Securities Division has required a financial assurance. The franchisor has posted a surety bond in the amount of \$100,000 with the Securities Division to secure its pre-opening obligations to you.

20. Section 12.D of the Franchise Agreement shall be modified to state that the liquidated damages will be limited to two (2) years of Royalties or Minimum Royalties, whichever is higher.

21. The acknowledgements Section 17(b)-(g), and paragraphs 1-3 of Section 18 of the Franchise Agreement shall not apply in Washington.

The undersigned does hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE

CHEM-DRY, INC.

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

## **ILLINOIS**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Illinois:

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

## **MARYLAND**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Maryland. This also applies to non-residents of Maryland who will operate a Chem-Dry franchise in the State of Maryland.

1. [Item 5 is amended to state “Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance to ensure our pre-opening obligations to you. We have secured a surety bond in the amount of \\$72,145, which is on file with the Commissioner.”](#)

1.2. Item 17 is amended to provide that:

- a. The general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- b. The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
- c. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- d. The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy

law (11 U.S.C. Section 101, *et seq.*).

2.3. You may request and we will provide, within a reasonable amount of time, an accounting of the advertising fund, including a summary of revenue and disbursements. Any such accounting will be strictly confidential.

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

## **MINNESOTA**

Minnesota statute §80C14 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of jurisdiction.

[NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \\$30 on service charges.](#)

Minnesota statute §80C14 provides: It shall be deemed unfair and inequitable for any person to:

- (A) Terminate or cancel a franchise without first giving written notice setting forth all the reasons for the termination or cancellation to the Franchisee at least 90 days in advance of termination or cancellation, and the recipient of a notice fails to correct the reasons stated for cancellation or termination within 60 days within receipt of the notice, except that the notice shall be effective immediately upon receipt where the alleged grounds are:
  - (i) Voluntary abandonment of the franchise relationship by the Franchisee;
  - (ii) The conviction of the Franchisee of an offense directly related to the business conducted pursuant to the franchise; or
  - (iii) Failure to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the Franchisor's trade name, Trademark, service mark, logotype or other commercial symbol after the Franchisee has received written notice to cure of at least 24 hours in advance thereof;
- (B) Terminate or cancel a franchise except for good cause. "Good cause" shall be failure by the Franchisee substantially to comply with reasonable requirements

must sign, are accurately presented in this Disclosure Document.

## WASHINGTON

~~The following statements are added to the Disclosure Document:~~

~~In the event of a conflict of laws, to the extent required by the Act, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 will prevail.~~

~~RCW 19.100.180, may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement and your relationship with us, including the areas of termination and renewal of your franchise.~~

~~In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed according to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitation period for claims under the Act, rights or remedies under the Act, such as rights to jury trial might not be enforceable.~~

~~To the extent required by the Act, transfer fees are collectible to the extent they reflect our reasonable estimated or actual costs in effecting a transfer.~~

~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~

~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~WASHINGTON Franchisees who receive financial incentives to refer franchise prospects to Franchisors may be required to register as franchise brokers under the laws of Washington State.~~

## WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgment.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee,

unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

**15. Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

**17. Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

**18. Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this    day of            20            .

\_\_\_\_\_  
Signature of Franchisor Representative

\_\_\_\_\_  
Signature of Franchisee Representative

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Title of Franchisor Representative

Title of Franchisee Representative

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

## **WISCONSIN**

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of Wisconsin.

1. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES OF THE STATE OF WISCONSIN.
2. The following applies to Franchise Agreements in the State of Wisconsin:
  - (a) The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 (the Act), shall apply to and govern the provisions of Franchise Agreements issued in the State of Wisconsin.
  - (b) The Act's requirements that Franchisor must provide franchisee at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. This notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that franchisee has 60 days in which to cure any claimed deficiency. If the deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, franchisee will have 10 days to cure the deficiency.