

person or persons to whom a DUCTZ Business is awarded. If the DUCTZ Business is awarded to a legal or business entity, “you” or “your” means the legal or business entity and the Owners of the legal or business entity.

We were formed March 30, 2004, as a Michigan Limited Liability Company. We do business under the name “DUCTZ.” We do not do business under any other name; however, our owners have other businesses as described below. [We do not conduct a business of the type to be operated by the franchisee, however our affiliate has operated a company-owned location since 2004.](#) We do not conduct any other line of business and have never offered franchises in any other line of business.

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

Our parent is BELFOR Franchise Group, LLC (f/k/a “DUCTZ Holdings, LLC”) a Michigan Limited Liability Company formed on July 3, 2007 (“BFG”), which has a principal business address of 5405 Data Court, Ann Arbor, MI 48108. BFG is a wholly owned subsidiary of BELFOR (USA) Group, Inc. (“BELFOR”), a Colorado corporation formed on June 9, 1995, and located at 185 Oakland Ave, Suite 150, Birmingham, MI 48009. BELFOR is a wholly owned subsidiary of BELFOR Holdings, Inc., a Delaware corporation incorporated on May 24, 2006 and located at 185 Oakland Ave, Suite 150, Birmingham, MI 48009. BELFOR offers property and electronic restoration, machinery refurbishment, data and document restoration, mold remediation, emergency and rapid response. As of December 31, 2024, BELFOR owns and operates 154 outlets in the United States and Canada.

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

### 1.3 Prior Business Experience

We were formed in March 2004 and owned by Service Brands International. On July 24, 2007, DUCTZ International, LLC was acquired by BFG. Our affiliate DZNA operates 5 DUCTZ Businesses of the type being franchised.

### 1.4 Affiliates

BELFOR, or our parent, BFG, also own the companies that offer franchises in the chart below. The franchising companies have offered franchises since their year of formation, only offer franchises in the line of business in the chart, and have never offered franchises in any other line of business. All of the BFG franchising companies in the chart below have the following principal business address: 5405 Data Court, Ann Arbor, MI, except 1) the Canadian companies have the following principal business address: 3300 Bridgeway Street, Vancouver, British Columbia V5K 1H9; and 2) the principal business address for Winmar is 175 Stonach Crescent, London, ON N5V 3G5.

Company	State/Type of Entity	Date of Formation	Number of Outlets	Franchise Offering
1 800 WATER DAMAGE International, LLC (“1 800 WD”)	Delaware LLC	Apr. 16, 2015	175	Water damage restoration services, mold remediation, odor removal, fire and smoke and related cleaning services.

following states require air duct cleaners to hold special licenses: Arizona, Arkansas, Alabama, California, Connecticut, Florida, Georgia, Louisiana, Michigan and Texas.

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

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

## **ITEM 2: BUSINESS EXPERIENCE**

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

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

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

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

### Chief Executive Officer: Sheldon Yellen

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

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

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

Name of Fee (Note 1)	Amount	Due Date	Remarks (Note 1)
Brand Marketing Fee	Up to 1% of Gross Sales, if established	Deducted weekly, due at the same time as the Royalty	We reserve the right, but are not obligated to, establish a national marketing fund (the “Brand Marketing Fund”) for the common benefit of System franchisees. We have the right to require you to participate in and contribute up to 1% of your Gross Sales weekly to the Brand Marketing Fund (the “Brand Marketing Fee”) in the manner we prescribe.
Additional Training or Assistance Hosting Fee	\$50 - \$500 per person depending upon the type of training, conducted at the Corporate Training facility, or our then current fee	Due by automatic debit the following Friday (or any other day we may designate) after the completion of training	Initial Business Management and Technical Operations Training to you <del>and/or</del> your Designated Manager, <del>if applicable, and one other person</del> is included with the franchise. You may designate, with our approval and on a “space available basis,” additional persons to attend initial Business Management and Technical Operations training for the Hosting Fee.  This fee may increase up to ten percent (10%) each year of the term.
Technology Fee	Our then current fee, which is presently \$45 per week	Due by automatic debit each Friday	We reserve the right to change this fee in the event technology changes. In the event of a change, the revised fee charged will be actual costs charged by third party vendor, plus up to fifteen percent (15%) of the cost for administration
Convention, Regional Meetings and/or Additional Training	The then current fee, which is currently (a) \$1,000 max. per person to attend the Convention, and (b) \$0 - \$200 per person per event for Regional Meetings and/or Additional Training	Before the start of the event	To help offset our out-of-pocket expenses for meeting space, meals, audio visual rental, workbooks, speakers, etc. Does not include travel, lodging or all meals. Location varies, these fees are payable to and imposed and collected by third parties.

<b>Name of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (Note 1)</b>
<a href="#">Referral Fee</a>	<a href="#">Approximately 0% to 30% of the invoice amount</a>	<a href="#">Upon Invoice</a>	<a href="#">See Note 10</a>
Late Report Fee	\$20 per week that a report is late  This fee may increase up to ten percent (10%) each year of the term.	Due by automatic debit the Friday after the report is late	Due for each week a report is late, including, but not limited to year-end profit and loss statements and business tax returns.
Late Payment Fee	5% of amount due or \$50 per week, whichever is greater  This fee may increase up to ten percent (10%) each year of the term.	Due by automatic debit on the Friday following the due date for each late payment	Due for any payment that is not paid when due.
Administrative Fee	Our then current fee, which is presently \$500 per transaction.  This fee may increase up to ten percent (10%) each year of the term.	As incurred	Due upon your request or when we are required due to your actions or request, to amend the Franchise Agreement or when you ask us to consent to various transactions or to services for which a specific fee is not imposed elsewhere in this agreement or the System.
Collection Fee	Our then current fee, which is presently up to 10% of gross amounts collected on your behalf  This fee may increase up to ten percent (10%) each year of the term.	As incurred	Due when we collect payment on your behalf for customers who are delinquent in their payment of 90 days or more
Non-Sufficient Funds (NSF) Fee	Our then current fee, which is presently \$50 per NSF  This fee may increase up to ten percent (10%) each year of the term.	Due by automatic debit the Friday after the NSF occurs	Due if and when we debit your account for monies owed and there are insufficient funds available.
Convention Non-Attendance Fee	Our then current fee, which is presently \$1,000  This fee may increase up to ten percent (10%) each year of the term.	Due to us if you fail to attend the Convention and did not receive our prior written permission.	See Note 7
Audit	Due only if an inspection is necessary. Cost of inspection	Due by automatic debit 15 days after billing	Due if an inspection or audit is made necessary by your

services to the franchise system. We do not plan to charge a fee for simple referrals where we do not directly manage the relationship with the customer, but we reserve the right to do so.

9.10. It is customary in the industry for HVAC businesses to pay referral fees to other businesses, insurance companies, TPAs, and other referral sources when those businesses provide referrals to your Business. Whether to pay referral fees to referring businesses is optional and agreed to by you and the referring business. Our affiliate business, BELFOR, may, but is not obligated to provide referrals to you. Depending on the market, BELFOR, as well as other referring businesses in the industry, may charge referral fees for referring jobs. Whether to accept or reject leads from referral sources that charge referral fees is up to and in your discretion, and you are not required to accept such referrals. The amount of the referral fee varies widely and is negotiated by and between you and the referral source, but is typically in the range of 0% to 30% of the total job invoice, in our experience.

## ITEM 7: ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is To Be Made
Initial Franchise Fee (Note 1)	\$49,900	\$74,900	Lump sum	On signing your Franchise agreement	Us
Initial Package Fee (Note 2)	\$26,710	\$26,710	Lump sum	On signing your Franchise agreement; not applicable for additional franchises awarded to you	Us
Hand tools, miscellaneous supplies	\$0	\$700	Lump sum	As incurred	Third Parties
Food and lodging while training, not including the cost of your transportation (Note 3)	\$1,200	\$3,000	Lump sum	As incurred	Third Parties
Vehicle with up-fitting (Note 4)	\$77,000	\$82,000	Lump sum	As incurred	Third Parties
Full time technician for 3 months (Note 5)	\$0	\$7,200	Payroll	Per your standard payroll policy	Employee
Computer System (Note 6)	\$0	\$1,500	Lump sum	As incurred	Third Parties
QuickBooks Online (Note 7)	\$84	\$225	Monthly Installments	As incurred	Third Parties
Fiber-optic internet, cable or satellite high speed Internet,	\$270	\$475	Lump sum	As incurred	Third Parties

Full time technician for 3 months (Note 5)	\$0	\$7,200	Payroll	Per your standard payroll policy	Employee
Computer System (Note 6)	\$0	\$1,500	Lump sum	As incurred	Third Parties
QuickBooks Online (Note 7)	\$84	\$225	Monthly Installments	As incurred	Third Parties
Fiber-optic internet, cable or satellite high speed Internet, anti-virus software and electronic mail	\$270	\$475	Lump sum	As incurred	Third Parties
Insurance for the first 3 months (Note 8)	\$1,200	\$3,500	Depends on insurance agency	Depends on insurance agency	Third Parties
Business Telephone (Note 9)	\$0	\$144	Monthly payments based on carrier	As incurred	Third Parties
ASCS Training and Certification (Note 10)	\$0	\$1,620	Lump sum	As incurred	NADCA
Real estate or storage for the first 3 months (Note 11)	\$0	\$4,500	Lump sum	As incurred	Third Parties
Marketing (Note 12)	\$1,500	\$1,500	Monthly	As incurred	Third Parties
Additional funds for the first 3 months (Note 13)	\$9,000	\$20,000	Lump sum	As incurred	Third Parties
Miscellaneous Pre-opening Expenses	\$0	\$5,000			
<b>Total estimated initial investment &amp; additional expenses</b>	<b>\$68,104</b>	<b>\$192,974</b>			

Notes:

Our estimate of your initial investment to develop one DUCTZ Business is described in the table above. The estimate covers the period before the opening of your franchise and includes a category for additional expenses you may incur during the initial three-month phase after the opening of your franchise. The estimate does not include an owner's salary or draw. The estimate also does not include cash requirements to cover operating losses or owner's draw after the initial three-month phase of the franchise. You may need additional funds available, whether in cash or through unsecured credit lines or have other assets that you may liquidate, or that you may borrow against, to cover your personal living expenses and any operating losses after the initial phase of your franchise. The estimates below also do not reflect an amount for investment in real estate, since it is assumed that you will lease your premises. ~~We urge you to retain the services of an experienced accountant or financial adviser in order to develop a DUCTZ Business plan and financial projections for your franchise.~~

Additional variables that may impact your initial investment may be: the size of your facility; age of the structure; length of your lease or other instrument granting you the right to occupy the premises; if your space is to be built out by the developer with no initial out-of-pocket costs to you; lease arrangements; location in the market; costs of demolishing existing leasehold improvements; construction costs; other variable expenses and whether you currently hold a lease for an acceptable location. Costs and expenses are not refundable unless expressly noted in the charts or the notes.

1. The low Initial Franchise Fee does not show the application of any discounts to the Initial Franchise Fee and does not account for any financing. The discounts we offer are listed in Item 5, and the financing details are in Item 10. You may qualify for one or both. The high Initial Fee has been calculated by adding the Additional Fee to the Base Fee for a Standard Franchise. For both Conversion Franchises, the low and high estimate are based on the chart set forth in Item 5.3. See Item 5 for an explanation of the amount and refundability of the Initial Franchise Fees. We may finance a part of the Initial Fee; see Item 10 for details regarding the amount we will finance, the down payment required, the annual interest rate, rate factors, and estimated loan repayments.
2. Estimates are based on the purchase of a Franchisee's first DUCTZ Business. However, the Initial Package Fee is waived for renewal terms and additional Territories awarded to you. If this is a transfer, you will be required to purchase a modified Initial Package based on the equipment not included in the transfer necessary to operate the DUCTZ Business, and to pay the \$799 Convention Allowance. The standard Initial Package includes: Clothing and Promotional, Print & Marketing Materials, Safety Supplies, HVAC Equipment Package, Tools & Small Equipment, Dryer Vent Cleaning Supplies, training and certification, Kick-Start Marketing, 1 year CareerPlug Pro, and a \$799 convention allowance (the "Convention Allowance") for the DUCTZ convention (the "Convention"). These estimates include various hand tools, general supplies, contractor supplies and cleaning supplies. You may not be required to purchase these items if you already own them. For Related Franchisees, the initial fees (Initial Franchise Fee ~~and~~, Initial Package, ~~and~~ ~~Kick Start Marketing~~) may be discounted as described in Item 5. You may be required to pay sales tax on the Initial Package, and such tax is not included in the Initial Package Fee.
3. Covers out-of-pocket expenses for lodging and meals for two attendees who are sharing one hotel room, not including transportation.
4. All vehicles must be leased or purchased through our then currently approved supplier(s). All vehicles must have the equipment and the DUCTZ decal package per our standards and specifications. For a Standard Franchise, the low range estimate is for a new vehicle with equipment and vinyl decal package (depending on market conditions), but does not include sales tax. For a Standard Franchise, the high range estimate is for a new vehicle with a truck mount unit, equipment, and vinyl decal package (depending on market conditions), but not including sales tax. For Conversion Franchises, the low range estimate assumes that you have an existing white vehicle that complies with our standards and specifications that does not have wrapping that needs to be removed and the high range estimate assumes that you are purchasing a brand new vehicle that needs decals, but does not include sales tax. You are required to only use vehicle signs and wrapping we permit. All vehicle wraps may only be performed by our authorized vendors. Your cost may differ from our estimates based on market

demand, the year and model, interest rate, and if you choose a longer/shorter term. The costs referenced include up-fitting charges. Vehicle delivery, applicable sales tax and licensing are not included.

5. You must dedicate a full-time technician to perform the actual HVAC cleaning and restoration services for the DUCTZ Business (“Service Technician”). This low estimate is based on a Managing Owner serving as the Service Technician and the high estimate is based on employing a Service Technician.
6. As described more fully in Item 11 of this Disclosure Document, you must have a computer located at your office site (“Office Site”) that meets our then-current requirements as set forth in our Manuals. You are not required to purchase a computer for your DUCTZ Business if you currently have a computer which meets or exceeds these specifications.
7. This figure is based on the standard version of QuickBooks Online, which is what we require, but may be higher based on various upgraded versions that are available for QuickBooks Online. If you are a Conversion Franchise, you may be required to pay our approved software vendors for the conversion of your business data into the approved service business software.
8. Before beginning the DUCTZ Business, you shall obtain and maintain in full force and effect throughout the term of the Franchise Agreement and at your sole expense, certain insurance coverages as described in the Franchise Agreement. This item estimates the cost to attain insurance for the first three months of operation.
9. At our discretion, we will provide you the business phone number to be used by the Business. This number will be forwarded to any device(s) that you choose. The low estimate is based on having this number forwarded to your existing device(s). The high estimate is based on the Business acquiring additional optional services and a second landline with a separate phone service provider and paying the corresponding fees and expenses.
10. You will be responsible for all fees associated with Air Systems Cleaning Specialist (ASCS) training and certifications. NADCA approved courses and/or convention attendance may count toward continued education credits which are required for annual renewal. Costs will vary.
11. This item estimates the cost to rent a storage facility of 300-400 square feet for the first three months of operation. The low estimate of the estimated initial investment is based on a Managing Owner who runs the business from their home and has adequate space to store equipment related to the DUCTZ Business, and the high estimate is based on a Managing Owner who rents a storage facility.
12. You agree to actively advertise and promote the Business within the Territory. We require you to expend at least 2% of Gross Sales on local marketing and advertising. This estimate is our recommendation of the amount you should expend each month after opening, for the first three (3) months of operation. ~~minimum amount each month on marketing, advertising, and promotional programs at the local level but recommend that you spend amounts in excess of 2% of Gross Sales on local marketing and advertising.~~

13. This item estimates the working capital needs for the first three months of operation, not including those expenses identified separately in the table. It includes payroll costs for operation and customer service employees, out-of-pocket direct mail costs, general auto maintenance and gasoline, and office overhead. The estimate of additional funds does not include an owner's salary or draw. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The amount of working capital you need will depend on a number of factors. You may also be required to provide security deposits for utilities and rent (and possibly other items).

We have relied upon the experience of our DUCTZ franchisees, to compile these estimates.

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

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

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

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

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

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

While most franchisees choose to order items using our Marks from our approved suppliers, you are only required to do so when you order your Initial Package, vehicle and vehicle decals. The remaining items using our Marks for the operation of your DUCTZ Business may be ordered from third party suppliers provided that they meet our standards and specifications for representation of the Marks, and are pre-approved by us. Our approved vendors and suppliers will be provided to you in the BFG Vendor Quick Guide, our Operations Manual, and other reference materials, where applicable.

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

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

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

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

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials from us before their first use. In order to obtain approval of advertising and marketing materials, you must submit such proposed advertising material to us for review at least ten business days before the proposed first use. If we take no action within such ten business day period, the materials shall be deemed disapproved and you may not use such materials. The approval or disapproval is in our sole discretion. We also may, in our sole discretion, require you to immediately discontinue use of any advertising or marketing materials at any time, even if previously approved or provided by us. All advertising and marketing materials must meet our then-current standards and specifications. We may, in our sole discretion, offer and sell advertising, marketing, and promotional materials at any time. Certain items, such as your truck, yard signs and furnace stickers must reference the DUCTZ national toll-free number. You may not alter or remove reference to the national toll-free number. You have no obligation to purchase any of these materials or forms from us, but if we implement local marketing programs, like a call center and/or direct mail solicitations, you may be required to participate, at your expense. (Section 2.G of the Franchise Agreement).

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

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

Software. We estimate the cost of the computer system to be approximately \$1,500. Computer specifications for hardware and Internet connectivity are provided in Sections 2.H and 2.I of the Franchise Agreement. If you have an existing computer system that meets our specifications, you may not be required to purchase additional equipment. ~~We have the right to independently access the information generated and stored in the Computer System and/or the DUCTZ Software. As technology advances, you may be required to upgrade your hardware to meet changing hardware and software requirements as we deem necessary. The DUCTZ Software is web-based and we do not charge you for software updates and upgrades. We will require you to upgrade your computer hardware, but no more than two times during the initial term, at a cost not to exceed \$3,000.~~

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

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

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

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

You are required to participate in any System-wide computer network, intranet system, or extranet system that we implement and may be required by us to use such computer network,

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

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

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

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

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

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

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

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

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

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

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

### 11.10 Site Approval

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

### 11.11 Jumpstart Initial Training

You [or your Managing Owner](#) must successfully complete our Jumpstart Initial Training program (Section 3.A of the Franchise Agreement) within one month of signing the Franchise Agreement, before attending Business Management and Technical Operations Training (as defined below) and before the opening of the DUCTZ Business. Additional persons employed by you may attend on a space available basis, contingent upon our receipt of our training fee to offset the expenses we incur. All attendees who are not a party to the Franchise Agreement must sign our prescribed form of confidentiality and non-disclosure agreement (Exhibit A-3 of the Disclosure Document). You must pay for your own and your employees’ travel and living expenses while attending the Business Management and Technical Operations training program.

specified in the Summary Page to the Franchise Agreement that have been awarded to you. We will not allow another DUCTZ Business or Company Store to perform work within your DOT unless: (i) you are not in full compliance of your Franchisee Agreement or (ii) the other DUCTZ Business is following their Protected Partner into your DOT. Further, no other DUCTZ Business may advertise in print, media or web-based advertising within your DOT.

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

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

We identify your Territory by zip codes as determined by Census Bureau statistics. We will not alter the DOT during the term of the Franchise Agreement without your prior written permission. During the term of the Franchise Agreement, we will not allow you to relocate the DOT or RSA; however, the exact boundaries of the Territory may change in the future, as future zip code changes are made by the United States Postal Service or Census Bureau.

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

Your business site may be located in your home, but must be located within the DOT and must contain at least the minimum square feet we recommend. We must approve the site and location of your Business. If you wish to relocate your business during the Term, you must obtain our prior written approval. We will approve relocation so long as the site meets our minimum required square feet, is within the DOT, and has satisfactory visibility and traffic.

## 12.2 Advertising and Servicing of Customers for Franchises

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

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

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

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

in each category and then by the total.

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

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

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

### **General Assumptions:**

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

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

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

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

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

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

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

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

Other than the preceding financial performance representation, we do not make any

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

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

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

## **B. INITIAL PACKAGE FEE**

You promise to pay us, or a vendor designated by us in our sole discretion, for specified equipment, products, supplies and services (the “Initial Package”) in the amount included on the Summary Page to this Franchise Agreement, plus sales tax (the “Initial Package Fee”), which monies shall be promptly due and payable before receipt of the Initial Package. The Initial Package includes: Clothing and Promotional, Print & Marketing Materials, Safety Supplies, HVAC Equipment Package, Tools & Small Equipment, Dryer Vent Supplies, Coil Cleaning Small Equipment, training and certification, Kick-Start Marketing, 1 year CareerPlug Pro, and a \$799 convention allowance (the “Convention Allowance”) for the DUCTZ brand-wide convention (the “Convention”) and listed in Exhibit B to this Agreement. The Initial Package materials will be shipped to you F.O.B. from certain locations from our approved supplier(s) which include Oklahoma City, OK and Logan, UT. The Initial Package Fee is non-refundable and deemed fully earned upon payment.

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

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

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

If this is a Transfer Term, (a) you are not required to purchase the entire Initial Package; however, you must purchase a modified Initial Package, which will vary based on the equipment not included in the transfer necessary to provide all current services, and you must pay the \$799

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

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

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

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

### **C. ROYALTY.**

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

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

You promise to sign and deliver to us, before the DUCTZ Business opens, the documents we require to authorize us to automatically debit your business checking account each Friday for the Royalty due on Gross Sales from the preceding week, including the EFT Agreement. You also promise to promptly and regularly report a correct statement of all of your Gross Sales in the DUCTZ Software, along with any other information we specify, in the form and on the schedule

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

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

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

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

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

This number will be forwarded to any device(s) that you choose. As part of your local marketing, this number must be dedicated to your DUCTZ Business. You promise to maintain a 24-hour answering system on this business number, use an approved script for answering calls, and you promise to continually list the DUCTZ Business in the primary Internet and telephone directory servicing the Territory and, at a minimum, to maintain a trademark listing advertising your Business in the primary directory servicing the Territory. However, if two (2) or more DUCTZ Businesses and/or Company Stores are served by the same telephone directory, we will require you to list all businesses under one (1) DUCTZ heading. Should this instance arise, you must pay your pro-rata share of the total expense of the joint listing. Any other forms of advertising that would also advertise to zip-codes both inside and outside of the DOT must be pre-approved by DUCTZ in writing. We will notify you within ten (10) days' of our receipt of your written request.

promise to cooperate fully with our representatives and independent accountants we hire to conduct any inspection or audit.

If any inspection or audit discloses an understatement of Gross Sales, we can debit your account, as provided in Sections 2.C and 2.H of this Agreement, for the Royalty and Brand Marketing Fund contributions which are due on the amount of the understatement, plus interest, at the rate of 18% per annum or the maximum rate permitted by applicable law, whichever is lesser, and all late fees, from the date originally due until the date of payment.

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

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

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

### **A. TAXES.**

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

### **B. ADVANCES.**

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

## **10. TRANSFER.**

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

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

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

You acknowledge and agree that we have entered into this Agreement with you based on your personal qualifications, experience, skills, character, etc. Thus, you cannot transfer this Agreement. "Transfer" shall mean any voluntary, involuntary, direct, or indirect, in whole or in

## ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE IN ILLINOIS

This is a Rider to the [Date] Franchise Agreement, which is being executed concurrently with this Rider, between DUCTZ International, LLC a Michigan Corporation, with its principal place of business at 5405 Data Court, Ann Arbor, Michigan (referred to in this Agreement as “we,” “us,” and “ourselves”), and [Legal Name 1] and [Legal Name 2] (referred to as “you” and “Managing Owner”), residents of the State of [State] and a [State] company to be formed or already existing whose principal address is [Address] (referred to in this Agreement as “you,” “your” or “Franchisee”).

Notwithstanding anything to the contrary in the Franchise Agreement, in the event of a conflict between the terms of this Rider and the terms of the Franchise Agreement, the terms of this Rider shall control and supersede the Franchise Agreement. Any terms not defined herein shall have the same meanings as in the Franchise Agreement and any references to sections and paragraphs refer to the sections and paragraphs of the Franchise Agreement unless stated otherwise.

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, (Ill. Comp. Stat. §§ 705/1 to 705/44), the parties to the DUCTZ International, LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Background. We and you are parties to that certain Agreement dated \_\_\_\_\_, 20\_\_ that has been executed concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Agreement. This Rider is being executed because (a) the offer or sale of the franchise for franchise you will operate under the Agreement was made in the State of Illinois and you will operate the Franchise in the State of Illinois and/or (b) you are a resident of the State of Illinois.
2. Illinois law governs the Franchise Agreement.
3. 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.
4. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. 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.
6. 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. ~~No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

**ADDENDUM TO THE FRANCHISE AGREEMENT FOR USE VIRGINIA**

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the [franchise agreement] [development agreement] does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

No statement, questionnaire, or 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.

**FRANCHISOR**

**FRANCHISEE**

**DUCTZ INTERNATIONAL, LLC**

**[FRANCHISEE ENTITY NAME]**

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

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

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

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

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

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

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

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

## WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, DISCLOSURE ACKNOWLEDGMENT QUESTIONNAIRE, AND RELATED AGREEMENTS

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).

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.

~~This is a Rider to the [Date] Franchise Agreement, (the “Agreement”) which is being executed concurrently with this rider, between DUCTZ International, LLC, a Michigan Limited Liability Company, with its principal place of business at 5405 Data Court, Ann Arbor, Michigan. (referred to as “we” or “Franchisor”), and [Legal Name 1] and [Legal Name 2](referred to as the “Managing Owner”), residents of the State of [State], and [LLC or Corp Name] a [State] company to be formed or already existing, whose principal address is [Address] (referred to as “you,” “your” or “Franchisee”).~~

~~1. — In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.~~

~~2. — RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.~~

~~3. — In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~4. — A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

~~5. — Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~6. — Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.~~

~~7. — The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.~~

19. A surety bond in the amount of \$100,000 has been obtained by the Franchisor. The Washington Securities Division has made the issuance of the franchisor's permit contingent upon the Franchisor maintaining surety bond coverage acceptable to the Administrator until (a) all Washington Franchisees have (i) received all initial training that they are entitled to under the franchise agreement or offering circular, and (ii) are open for business; or (b) the Administrator issues written authorization to the contrary.

~~8. — Sections 17 and 18 of the Franchise Agreement. The following language shall be deleted in their entireties:~~

20.

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

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

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

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

\_\_\_ \_\_\_ Your abilities and efforts are vital to the success of the DUCTZ Business.

\_\_\_ \_\_\_ Continually securing new Customers is necessary to the DUCTZ Business and requires you to make consistent and repeated marketing and advertising efforts through a variety of mediums.

\_\_\_ \_\_\_ All information that you have set forth in any and all applications, financial statements, and submissions to us is true, complete, and accurate in all respects, and you expressly acknowledge that we are relying upon the truthfulness, completeness, and accuracy of this information.

YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF THAT HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.

THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF OUR FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR YOUR PAYMENT OF ANY MONIES TO US, REFUNDABLE OR OTHERWISE.

YOU ACKNOWLEDGE THAT WE HAVE RECOMMENDED, AND THAT YOU HAVE HAD THE OPPORTUNITY TO OBTAIN, REVIEW THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT BY YOUR LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

~~9. — 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 undersigned does hereby acknowledge receipt of this addendum.

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

4. General Release. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).
5. Litigation. The Franchise Agreement requires that all disputes be litigated in Michigan. This provision may not be enforceable under California law. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 and Code of Civil Procedure Section 1281) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

The following paragraph is added at the end of Item 19 of the Disclosure Document:

The earnings claim figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

OUR WEBSITE [WWW.DUCTZ.COM](http://WWW.DUCTZ.COM) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPL.CA.GOV](http://WWW.DFPL.CA.GOV).

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

The maximum interest rate allowed by law in California is 10% annually.

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

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

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

- b. The states in which a proposed registration of filing is or will be shortly on file: None
- c. The states, if any, which have refused, by order or otherwise, to register these franchises: None.
- d. The states, if any, which have revoked or suspended the right to offer these franchises: None
- e. The states, if any, in which proposed registration of these franchises has been withdrawn: None

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

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1 et. seq., the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Illinois, shall be amended to include the following:

The following language is added to the table in Item 17 at the end of the Summary sections of provisions (v) and (w) entitled Choice of Forum and Choice of Law: “subject to state law, and except for any claims arising under the Illinois Franchise Disclosure Act of 1987.” Illinois law will govern the Agreement and all litigation will be commenced in Illinois.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Investment Act of 1987 are met independently without reference to this Addendum to the Disclosure Document.

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

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

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

No statement, questionnaire, or 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. ~~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 behalf of~~

~~the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

## **ADDITIONAL DISCLOSURES FOR THE STATE OF INDIANA**

In recognition of the requirements of the Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1 -7; amended by Laws of 1985, PL 233, the Franchise Disclosure Document, in connection with the offer and sale of franchises for use in the State of Indiana, shall be amended to include the following:

1. It is unlawful for any Franchise Agreement entered into between any franchisor and a franchisee that is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana, to contain any of the following provisions. The following statements are added at the end of the Franchise Agreement table in Item 17: “Any release required as a condition of renewal and/or transfer will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act.”
2. The Summary section of Item 17(r.) entitled Non-Competition Covenants after the Franchise Terminates or Expires is amended to provide that the provisions contained in the Franchise Agreement and Item 12 of this Disclosure Document are subject to Indiana Code 23-2-2-7-1(9), which prohibits covenants not to compete which extend beyond any exclusive Territory granted to you.
3. Item 17(v) and 17(w) entitled Choice of Forum and Choice of law are amended to provide that Michigan law generally applies except for matters arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act.
4. In reference to Section 15.I. of the Franchise Agreement, such waivers constitute a limitation on litigation and therefore violate IC 23-2-2.7-1(10) and may not occur under this provision.
5. In reference to Section 15.K. of the Franchise Agreement, such a limitation of claims may only be barred unless an action is brought more than two years after the violation pursuant to IC 23-2-2.7-7.

Each provision of these Additional Disclosures to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to these Additional Disclosures to the Disclosure Document.

## **ADDITIONAL DISCLOSURES FOR THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Uniform Franchise in connection with the offer and sale of franchises for use in the State of Maryland, shall be amended to include the following:

Item 5 and Item 21. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, we have posted a surety bond in the amount of \$106,508, to secure our pre-opening obligations under the Franchise Agreement. A copy of the bond is on file with the Commissioner's office.

Item 17.C. and 17.M., require a general release as a condition of renewal, sale, and/or transfer. Any such release shall not apply to any liability that falls under the Maryland Franchise Registration and Disclosure Law.

Item 17.U. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought by you within three years after the grant of the Franchise.

Item 17.V., requires that all actions will be commenced in the state, and in any court of general jurisdiction in Washtenaw, Michigan, or the United States District Court for the Eastern District of Michigan, except for claims arising under the Maryland Franchise Registration and Disclosure Law, which may be commenced by you in Maryland.

Exhibit I of the Franchise Agreement is a Disclosure Acknowledgement Questionnaire. Such representations are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Despite any contradicting provision in the Franchise Agreement, you have three years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

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

## **ADDITIONAL DISCLOSURES FOR THE STATE OF MINNESOTA**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat 80C.01 through 80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules 2860.0100 through 2860.9930, the Franchise Disclosure Document in connection with the offer and sale of franchises for use in the State of Minnesota shall be amended to include the following:

[The following risk factor shall be added to the State Cover Page:](#)

5. Turnover Rate. During the last 3 years, a high percentage of franchised outlets (more than 22%) 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.

Item 13. “Trademarks, Service Marks, Trade Names Logotypes and Commercial Symbols,” is amended by the addition of the following:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights that you have to use our proprietary rights, including your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suite or demand regarding the use of the name.

Item 17. “Renewal, Termination, Transfer, and Dispute Resolution,” is amended by the addition of the following paragraphs:

1. Minn. Rule 2860.4400J. prohibits the waiver of a jury trial.
2. Minn. Stat. 80C.17, Subd. 5 requires that no action may be commenced pursuant to this section more than three years after the cause of action occurs.
3. Minn. Stat. Sec. 80C, 14 Subds. 3, 4, and 5 requires that, except in certain specified cases, a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise cannot be unreasonably withheld.
4. Minn. Stat. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum, or remedies that the laws of jurisdiction provide.
5. Minn. Rule 2860.4400D. prohibits us from requiring you to assent to a general release.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated by the Minnesota Commissioner of Commerce, are met independently without reference to these Additional Disclosures in the Disclosure Document.

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

EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT “HOME STATE” LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO ANY STATE-SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE OFFERING FOR DETAILS.

Rhode Island Addendum and Item 17 should state:™19-28.1-14, of the Rhode Island Franchise Investment Act provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

## **ADDITIONAL DISCLOSURES FOR THE STATE OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for DUCTZ International, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

## **ADDITIONAL DISCLOSURES FOR THE STATE OF WASHINGTON**

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

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

3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in

**EXHIBIT H-1  
TO THE FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE ORGANIZATIONS**

We have created, sponsored or endorsed the following franchise organizations:

<b>Organization</b>	<b>Established</b>	<b>Address</b>	<b>Members</b>
DUCTZ Franchise Advisory Council	March 7, 2007	5405 Data Court Ann Arbor, MI 48108	Co-Chairpersons: Jessica Wicks, President: Jessica.wicks@belfrangroup.com and  Patty Clisham, <a href="mailto:patty.clisham@ductz.com">patty.clisham@ductz.com</a>

**EXHIBIT H-2  
TO THE FRANCHISE DISCLOSURE DOCUMENT**

**INDEPENDENT FRANCHISEE ASSOCIATIONS**

As of the date of this Disclosure Document, to our knowledge, there are no Independent DUCTZ Franchise Associations.

**EXHIBIT K  
TO FRANCHISE DISCLOSURE DOCUMENT  
RECEIPTS**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If DUCTZ International, LLC offers you a franchise, it must provide the Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If DUCTZ International, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the franchise relationship. Michigan and Oregon require that we give you this Disclosure Document at least ten business days before the execution of the franchise or other Agreement, or the payment of any consideration that relates to the Franchise Relationship.

Date of Issuance: March 28, 2025

See Exhibit C for the List of State Administrators and Exhibit D for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 28, 2025, that included the following Exhibits:

- |  |   |
|--|---|
| Exhibit A – Franchise Agreement                  | Exhibit G – List of Former Franchisees            |
| Exhibit B – Financial Statements                 |   |
| Exhibit C – State Administrators                 | Exhibit H-1 – Franchise Organizations             |
| Exhibit D – Agents for Service of Process        | Exhibit H-2 – Independent Franchisee Associations |
| Exhibit E – State Addenda to Disclosure Document | Exhibit I – Disclosure Questionnaire              |
| Exhibit F – List of Franchisees                  | Exhibit J-- State Effective Dates Page            |
|  | Exhibit K-- Receipts                              |

   Jessica Wicks,    Doug Smith,    [OTHER]    Tom Yacobelli and    Mark Hargett of DUCTZ International, LLC, act as our franchise sellers. Their principal business address is 5405 Data Court, Ann Arbor, MI 48108 and the telephone number is (734) 864-9799. Please check the Franchise Seller that you worked with.

**Date Received:** \_\_\_\_\_

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

If an entity – Name of entity: \_\_\_\_\_

\_\_\_\_\_  
Signature of Officer

\_\_\_\_\_  
Print Name

**RECEIPTS**

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If DUCTZ International, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

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Jessica Wicks, Doug Smith [OTHER] Tom Yacobellis, and Mark Hargett, of DUCTZ International, LLC, act as our franchise sellers. Their principal business address is 5405 Data Court, Ann Arbor, MI 48108 and the telephone number is (734) 864-9799. Please check the Franchise Seller that you worked with.

**Date Received:** \_\_\_\_\_

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

If an entity – Name of entity: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
Signature of Officer

\_\_\_\_\_  
Print Name