ENVIRONMENT CONTROL BUILDING MAINTENANCE COMPANY

FRANCHISE DISCLOSURE DOCUMENT
FOR MINNESOTA

a California Corporation

d/b/a Environment Control
Franchisor (referred to as "EC" throughout this document)

Street Address:
6485~~6525~~ North Mineral Drive
Coeur d'Alene, ID 83815-8788

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Website: www.environmentcontrol.com
Franchise Sales Website: www.ecfranchise.com

Service Marks:

1. Environment Control
2. It's About Lives
3. Environment Control
   A Building Service Company

Trademark Logo:

The franchise consists of an exclusive territory in which a building maintenance service is operated under the name of Environment Control.

The total investment necessary to begin operation of an Environment Control franchise is ~~$109,000~~$112,500. This includes $112,500~~109,000~~ that must be paid to the Franchisor or to the custodial bank account managed by the Corporate Office for expenditures expected within the first year of operations.

This Disclosure Document summarizes certain provision of your F~~f~~ranchise A~~a~~greement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least fourteen (14) calendar days before you sign a binding agreement with, or make any payment to the Franchisor or any Affiliate in connection with the proposed franchise sale. **Note: However, no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jeff LaBenne (Ext. 148) or Doug Kraft (Ext. 124) at (208) 772-8200; or by mail at 6485~~6525~~ North Mineral Drive, Coeur d'Alene, Idaho 83815-8788.

The terms of your F~~F~~ranchise Agreement (~~/~~"contract") will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor like a lawyer or an accountant.

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

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

Issuance Date: July ~~11, 2023~~19, 2024

HOW TO USE THIS FRANCHISE DISCLOSURE DOCUMENT

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about sales, costs, profits or losses of currently~~presently~~ operating~~ed~~ franchises. You should also try to obtain this information directly from others, like current and former franchisees. You can find their names and contact information in Item 20.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the F~~f~~ranchisor or at the F~~f~~ranchisor's direction. Item 7 lists the initial investment to open your Environment Control business. Item 8 describes the suppliers you must use, or are recommended for use.
Does the F~~f~~ranchisor have the financial ability to provide support to my business?	Exhibit A includes financial statements for Franchisor. These statements have been reviewed and audited by an independent a~~A~~ccounting f~~F~~irm. Review these statements carefully.
Is the franchise system stable, growing or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised EC Franchises.
Will my business be the only Environment Control business in my area	Item 12 and the "territory" provisions in the F~~f~~ranchise A~~a~~greement describe whether the F~~f~~ranchisor and other franchisees can compete with you.
Does the F~~f~~ranchisor have a troubled legal history?	Items 3 and 4 tell you whether the F~~f~~ranchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an Environment Control franchise?	Item 20 lists current and former franchisees. You can contact them directly to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 items and all exhibits in this D~~d~~isclosure D~~d~~ocument to better understand this franchise opportunity. See the table of contents.

WHAT YOU NEED TO KNOW ABOUT FRANCHISING - *Generally*

Continuing Responsibility to Pay Fees. You may have to pay royalties and other fees even if you are losing money.

Business Model Can Change. The F~~f~~ranchise A~~a~~greement may allow the F~~f~~ranchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier Restrictions. You may have to buy or lease items from the F~~f~~ranchisor or a limited group of suppliers the F~~f~~ranchisor designates. These items may be more expensive than similar items you could buy on your own.

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

Competition from Franchisor. Even if the F~~f~~ranchise A~~a~~greement grants you a territory, the F~~f~~ranchisor may have the right to compete with you in your territory under certain circumstances.

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

When Your Franchise Ends. The F~~f~~ranchise A~~a~~greement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

SOME STATES REQUIRE REGISTRATION

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

Your state also may have laws that require special disclosures or amendments be made to your F~~f~~ranchise A~~a~~greement. If so, you should check the State Specific Agenda. See the table of contents for the location of the State Specific Agenda.

SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

1. **Out-of-State Dispute Resolution.** While the present F~~f~~ranchise A~~a~~greement allows you to resolve disputes with the Franchisor by mediation, arbitration or litigation in your state, future iterations of the F~~f~~ranchise A~~a~~greement, which you will be required to sign to continue your franchise, may require you to resolve disputes with the F~~f~~ranchisor by mediation, arbitration and/or litigation only in some other state or jurisdiction. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate or litigate with the F~~f~~ranchisor in any state other than in your own state.

2. **Sales Performance Requirement.** You must maintain sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in loss of any territorial rights, termination of your franchise and loss of your investment.
~~1.~~

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ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, "EC" "we", "us" and "our" means Environment Control Building Maintenance Company, the Franchisor. "You" means the person who buys the franchise. If the franchise buyer is a Corporation, Partnership, or other entity, "you" includes the franchisee's entire equity ownership, "Manager" means the Owner who, on a full-time basis, manages the physical operations of the franchise. EC's predecessor was Daryl D. Kraft doing business as Environment Control. EC has no parent. Environment Control Restoration Services, Inc. is a wholly-owned Affiliate of EC.

Environment Control Building Maintenance Company also does business under the names of Environment Control, Inc., Environment Control, A Building Service Company, and its Affiliate. Environment Control Building Maintenance Company does not do business under any name other than those business names listed here.

Our principal business address is 6485~~6525~~ North Mineral Drive, Coeur d'Alene, Idaho 83815-8788.

Our agent for service of process in the State of Minnesota is the Minnesota Department of Commerce at 85 7th Place East, Suite 280, St. Paul, Minnesota 55101-2198 (see Exhibit G).

EC is a California corporation, incorporated on August 28, 1970.

EC is engaged in various activities, such as building maintenance, lawn and grounds maintenance, janitorial services, and restoration business. The Franchisor considers each of these activities to be additional business activities subject to the terms of the Franchise Agreement until such additional business activities are subjected to the terms of a different F~~f~~ranchise A~~a~~greement, following satisfaction of regulatory filing and disclosure requirements.

Other new opportunities may include but are not limited to painting, pest control, dispenser installation tenant improvements, and general construction. The Franchise Agreement specifies an exclusive territory in which a building maintenance service is operated under the name of Environment Control. The Franchise Agreement is Exhibit B to this Disclosure Document. The franchise provides cleaning services to its customers. There are no regulations specific to the industry in which the franchise operates. Your competitors range from major corporations listed on stock exchanges to individuals engaged in the same or similar business.

Since its incorporation in 1970, EC has conducted a business of the type to be operated by you and has offered franchises for such business. EC has never offered franchises in other lines of business.

ITEM 2. BUSINESS EXPERIENCE

Director and Chief Executive Officer: Daryl D. Kraft
Since August 1970, Director and President. Since 2018, Chief Executive Officer of EC.

Director and President: Douglas C. Kraft
Joined EC on January 1, 1990. Mr. Kraft owned and operated an EC franchise company commencing in July 1992, and then selling the company in June 1996. Mr. Kraft became Manager of Development in April 1997. He became a Director in March 1999 and Vice President of Operations in September 2007. Since 2018, he serves as President of EC.

Director and Vice President of Purchasing and Property Management: Gregory D. Kraft
Joined EC in 1985 and became Manager of Products in 1987. Became a Director and Manager of Administration and Purchasing in December 1997. He was promoted to Vice President in September of 1999.

Director and Executive Vice President: Jeffrey L. LaBenne
Joined Environment Control in January 1992 as an accounting file clerk. From 1992 he worked in various positions in the Accounting Department including company Controller. In May 2001 he joined the Operations Department as Manager of Development; and in November 2008, Mr. LaBenne was appointed Vice President of Marketing and Development. Since 2020, he serves as Executive Vice President.

Director, Treasurer, and Chief Financial Officer: Susan R. Bullard, CPA

Joined EC in November 2012 as CFO to replace Camran Nassiri who retired after 25 years of service to EC. From November 1997 to November 2012 Ms. Bullard was the Comptroller and Owner for a private general engineering company in San Diego, California.

Director, Human Resources/Insurance: MaryAnn Schevenius
Joined EC in 2000. Ms. Schevenius is a certified Professional in Human Resources. She assists Franchisees in employee recruitment, labor laws and policies. She also administers the Franchise Insurance program.

Consultant: Christopher J. Schneider
Joined EC in 1975. Became Vice President of Operations in January 1981 and a Director in September 1992. He was promoted to Senior Vice President in May 1994. Mr. Schneider retired in March of 2018 but continues to be involved on a regular basis as a consultant.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Disclosure Document regarding us, the personnel disclosed in Item 2, our predecessor, or our Affiliate, related to the offering of franchises under our principal trademark.

ITEM 4. BANKRUPTCY

No person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in any bankruptcy proceedings required to be disclosed in this Item 4.

ITEM 5. INITIAL FEE

The initial fee for a franchise includes a franchise fee of $30,000 (payable to the Franchisor; *see* Item 10), a development expense payment of ~~$69,000~~$72,500 (as an expense allowance deposited to the Franchisee cash account maintained by the Franchisor), and an operating capital account deposit of $10,000 (also deposited to the Franchisee cash account maintained by the Franchisor). These fees are payable upon signing the Franchise Agreement, or prior to the commencement of business as agreed upon by EC and you. Your initial investment is payable in a lump sum and no part of it will be financed other than as noted in Item 10.

The development expense payment covers the costs for a standard package of goods and services required for initial company development as established by EC. *See* Exhibit F for a breakdown of these costs.

The Initial Franchise Fee is nonrefundable under any circumstances.

ITEM 6. OTHER FEES

OTHER FRANCHISE FEES AND COSTS

Name of Fee	Amount	Due Date	Remarks
Royalty[1]	Initially, our royalties are 50% of the first $12,000 of your net quarterly profits, reduced to 25% of your net profits per quarter in excess of $12,000.[2] After 5 years of operations, minimum required royalties are $8,250 per calendar quarter.	Payable monthly on the last day of the next month.	Initially, after the first $12,000 of net profits, EC does not receive any net profits exceeding 25% of net monthly revenues for each calendar quarter.[3] If EC gives you consent to obtain bookkeeping services other than EC's, then royalties due EC are based on total monthly revenues described in EC's Standard Operations Manuals.

Name of Fee	Amount	Due Date	Remarks
	After 10 years of operations, minimum required royalties are $14,250 per calendar quarter. After 15 years of operations, minimum required royalties are $19,500 per calendar quarter.		
General Office & Bookkeeping[1]	6% of first $5,000 of net monthly revenues[3], 4-1/2% of net monthly revenues over $5,000 through $10,000, and 3% of net monthly revenues over $10,000.[4]	Payable monthly on the 5th day of the next month.	A new Franchisee must use EC's bookkeeping service for the first three years of operation. If EC gives you consent to obtain other bookkeeping services after the third years of operation, no general office and bookkeeping fees are charged other than a monthly fee of $50 to review the local company's required accounting reports.
Software Licensing Fees (UKG and Intacct)[1]	Estimated costs of UKG for a franchise with 12 active employees - $108~~106.32~~ monthly. Basic monthly cost of Intacct is based on the Franchisee's net revenue. As an example, a franchise with $50,000 of monthly net revenue would pay $509~~461~~ annually for a full user and a $10 per month support fee.[7]		~~12~~ 12-month allowance included in Initial Development Expense Allocation.[10]
Initial Company Development Manager Training[1]	$3,500 (allowance)[9] for a 5-day Company Development Seminar for new manager or refresher training.	Prior to the official start date of the franchise.	Training is at the corporate headquarters. Allowance included in Initial Development Expense Allocation.[10]
On-site Sales Training[1]	$5,000 (allowance)[9] for an 8-day period of refresher sales training.	First 4 days - 30 days after start-up. Second 4 days - within first 6 months.	Training is in your territory. Allowance included in Initial Development Expense Allocation.[10]
On-site Training	$2,500 (allowance)[9] for a 4-day period of additional training.	Within this first year of operation.	Training is in your territory. Allowance included in Initial Development Expense Allocation.[10]
Transfer[1]	Approximately $3,000. Billed at $150 per hour or based on published procedures.	Prior to consummation of transfer.	For costs incurred in the transfer, including consultation, bookkeeping records and management training.
Insurance	Premiums charged by insurers. Administration Fee – A monthly fee based on the average maintenance, payroll, and coverage provided.	30 days after billings. 30 days after billings.	EC may purchase insurance for you and determine the amounts of coverage.[5] This fee covers your cost for securing the required coverage and processing claims, in

Name of Fee	Amount	Due Date	Remarks
	Fees range from $50 to $1,040 per month[6].		addition to administration of the Self-Insurance Captive Plan.
Financial Information and Systems Support	Base monthly fee: $50. Plus: Monthly billing range $100,000 - $250,000 is an additional $100 monthly fee. Monthly billing range over $250,000 is an additional $150 monthly fee.	After 24 months of operation.	Only payable if you use our bookkeeping system.[8]
Additional Training Seminars	Variable – You are responsible for the tuition fee, travel, lodging, and personal expenses.	At the time of the expense.	These additional training seminars are designed to provide you with ongoing training and latest improvements to the EC system. They include lectures, updates, time for instruction, personal development, recreation, and recognition.
Optional Online Video Training	Free first 2 years, $25-$200 per month, based on monthly net revenue.	Monthly.	The Development Center is a growing library of online videos to train local employees in basic aspects of the EC System. First 24 months included in Initial Development Expense Allocation[10] at no charge.
Telesales	$38 per hour.	Monthly.	The Telesales service is required for the first 24 months, or 1,000 hours of Telesales service, and is optional thereafter. This service provides a supplement to lead generation designed to develop sales appointments with prospective customers. Hours are paid as they are used.
Salesforce Software Licensure	$156.45 per user.	Paid annually.	Provides Salesforce licensing for managing and working with sales contacts. Also used for tracker and bid status, bid performance, and multiple operational visibility functions.
System Support (by billing) - Salesforce	25k – 50k: $ 50.00 50k – 85k: $ 100.00 85k – 125k: $ 175.00 125k – 250k: $ 250.00 250k – 500k: $ 325.00 500k – 750k: $ 400.00 750k – 1M: $ 475.00 1M +: $ 550.00	Paid monthly.	Provides basic support for use of Salesforce software according to EC procedures.
Intacct Integration (by	25k – 50k: $ 20.00 50k – 85k: $ 30.00	Paid monthly.	Provides integration with Salesforce and Intacct, EC's accounting ERP.

Name of Fee	Amount		Due Date	Remarks
billing) - Salesforce	85k – 125k	$ 40.00		
	125k – 250k	$ 50.00		
	250k – 500k	$ 60.00		
	500k – 750k	$ 70.00		
	750k – 1M	$ 80.00		
	1M +	$ 90.00		

NOTES:

Note 1: All fees, excluding insurance premiums and fees from third-party service providers, are imposed by and payable to EC. All fees are non-refundable.

Note 2: Net profits means profits after determining all approved operating expenses and liabilities.

Note 3: Net monthly revenues include all revenue from the franchise territory. Net monthly revenues do not include sales taxes or other taxes charged to customers and refunds and allowances given customers.

Note 4: Costs for Accounting services may be reduced further as net monthly revenue increases. For example, if you operate at a minimum 20% net profit monthly, you will pay 1 1/2% of net monthly revenues over $50,000 through $100,000, and 1/2% of net monthly revenues over $100,000 at a minimum 18% net profit. These percentages may increase if net profit is lower, but in no event will they exceed 3%. All Franchisees pay a minimum fee of $500 per month beginning with the third year of operation.

Note 5: You may purchase the insurance coverages prescribed by EC on your own behalf. If you secure your own insurance coverage, the limits must meet or exceed those provided through EC's program in all areas where the policy provides $25,000 of protection or greater. The Standard Operations Manual (known as the Environment Control Operating Manual—ECOM) contains the specific guidelines for Franchisees who obtain their own insurance coverage.

To provide both you and EC with certain protection against insurable risks, EC may act as a liaison to obtain insurance coverage through brokers or agents of our choosing, on your behalf and with your informed consent.

It is your sole responsibility to assure that you have adequate insurance coverage. You have the right to review or copy such policies of insurance obtained by us and to purchase at your expense any different or additional insurance coverage.

Note 6: For the first year of operation the monthly Insurance Administration Fee is waived, except for the Self-Insurance Fee. The monthly Insurance Administration fee for the second year of operation is fifty percent of the published amount, plus the Self-Insurance Fee.

Note 7: Other optional monthly costs for the system include: Additional Concurrent Users $~~461~~509–$~~720~~ 795 per user, per year. Please see Item 11 for additional information regarding the Computer System requirements. All fees are detailed in the licensing agreements signed by and between the service provider and you, as Franchisee.

Note 8: If you use our bookkeeping system, you will have electronic access through a secured Internet connection to your financial information including: financial reports, financial records (payroll, payables, receivables etc.) and financial data for research. This information is updated daily based on information received by us. The cost of this access is used to underwrite the ongoing cost of the system, security, and enhancements.

Note 9: Allowances – Those items shown as an allowance mean that you pay the actual cost of the goods or service from the amounts allocated. If the actual cost is less than the allowance, the difference remains in your Working Capital account. If it is more, the difference is paid from your Working Capital account.

Note 10: Initial Development Expense Allocation – These fees are included in the start-up expenses of a company for the time noted. The activities are considered essential to company development and are pre-paid to ~~insure~~ ensure that funds are available for necessary costs of sales support services.

Note 11: All fees are applied uniformly within our system.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment[1]	When Due	To Whom Payment is to be Made
Franchise Fee[7]	$30,000	Lump Sum	Prior to Commencement of Business	EC
Inventory Allowance (Supplies and Equipment)	$18,500[1]	Lump Sum	Prior to Commencement of Business	EC
Training Allowance	$11,000[2]	Lump Sum	Prior to Commencement of Business[2]	EC
Prepaid Expense Allowance	$5,000~~1,500~~[3]	Lump Sum	Prior to Commencement of Business	EC
Operating Capital[4]	$10,000[4]	Lump Sum	Prior to Commencement of Business[4]	EC
Additional Funds – 6 months[5]	Depends on rate of growth[4]	As Incurred	As Incurred	Employees, Suppliers, Utilities
Telesales	$38,000[6]	Lump Sum	Prior to Commencement of Business[6]	EC
TOTAL:	**$112,500~~109,000~~**			

<u>**NOTES**</u>:

Note 1: This expenditure is included in the Development Expense Payment of ~~$69,000~~$72,500 (*see* Item 5). The supplies and equipment are purchased by the Franchisee as needed from a supplier of their choice. It also includes a computer and software system for automated record keeping and communication with the Franchisor's bookkeeping department. Payment for these initial purchases is made from the Development Expense funds despite the supplier used. You are not required to purchase any supplies or equipment described above from EC.

Note 2: This expenditure pays for transportation, tuition, materials, lodging, and per diem to a five (5) day Company Development Seminar; eight (8) days of on-site sales training and four (4) days of additional on-site training. Five Hundred Dollars ($500) of the allowance for each four (4) day on-site training is paid to the Franchisor as a training fee.

Note 3: This expenditure prepays the first twelve (12) months of website access and access to financial data. ($1,500), in addition to Salesforce expenses for Telesales for the first year ($3,500).

Note 4: Operating capital pays your expenses which primarily consists of payroll, cleaning supplies and equipment. A normal or average growth rate does not require additional funds during the initial phase (6 months) of the business. If growth exceeds the norm or average rate, then an additional

$5,000 - $15,000 may be required for payroll, supplies and equipment, until accounts receivable catch-up with the franchise payables. Deposit of Initial Operating Capital – This portion of the initial investment remains the property of the franchise. These funds are deposited by the Franchisor in a custodial account for the day-to-day operation of the business (*see* Franchise Agreement, Section 5G in Exhibit B).

Note 5: Regarding potential Additional Funds requirements, Franchisor estimates normal or average growth to be between $20,000 and $30,000 of monthly revenue by the end of the first year of operation, or $100,000 to $200,000 of annual first year revenue.

Note 6: This expenditure pays for one thousand (1,000) hours of Telesales support designed to generate sales leads and appointments. This provides supplemental sales support for up to twenty-four (24) months. These fees are not paid to the Franchisor upon startup and are only invoiced and paid upon delivery of Telesales services. It is the Franchisor's intent that the franchise has sufficient funds on deposit at startup which are reserved for future payment of Telesales service charges. Note that this is a supplemental appointment setting service. The Franchise Owner is responsible for closing the sale and for lead generation overall.

Note 7: The Franchisor offers to finance 50% of the franchise fee to qualified parties as explained in Item 10. The Franchisor does not offer financing on any other portion of the initial investment.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The allowance for the initial inventory and the revenue received by EC (See Item 7) is $18,500. When a new franchise is sold, the required purchase of the initial inventory is estimated to approximate 30 percent of the costs to establish a franchise. You are not obligated to purchase or lease supplies and equipment from EC. EC has no required specifications, designated suppliers, or approved suppliers for goods, supplies and equipment. None of our officers owns an interest in a supplier of required products or services.

To assure that you are fully trained and have established a successful track record of performance, you must use EC's bookkeeping service for the first 3 years of operation. After that time, EC may grant you, upon request, written consent to acquire other services. This consent will be based on your compliance with published procedures and guidelines. Environment Control believes that the bookkeeping service is foundational to the success of each franchise because it provides:

Uniformity – The system is specifically designed for EC Owners. It is constantly updated and expanded based on the needs and experience of all Owners.

Immediate Visibility – The Franchisor's daily access to the company's financial statements is fundamental to maximize profits and growth.

Freedom – The service frees the Owner from the effort required to maintain this responsibility so more attention can be focused on day-to-day operations of the business.

Lending Programs – Based on the visibility and in-house processing of payments, the Franchisor offers a variety of lending/financing programs to assist Owners.

Professionalism – The service provides a professional staff and system that may not be practical or affordable for a local franchise to hire.

The cost to you for the general office and bookkeeping services provided by EC is dependent upon the net monthly revenues of your franchise. Item 6 lists the fees charged for general office and bookkeeping services. In the fiscal year ending March 31, 2024~~3~~, EC's revenues from these services totaled $2,760,136~~2,656,071~~, which was 24.7~~25.8~~ percent of EC's total revenues of $11,177,512~~10,296,649~~.

ITEM 9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Section of Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	None	None
b. Pre-opening purchases/leases	Sections 2, 3.A, 5, and 8	Items 5 and 7
c. Site development and other pre-opening requirements	None	None
d. Initial and ongoing training	Sections 2, 3.A, 5.C, 5.F, and 8	Items 5, 6, and 7
e. Opening	Section 2	Item 5
f. Fees	Sections 2, 4, 5.F, and Exhibit B	Items 5, 6, and 7
g. Compliance with published procedures and Standard Operations Manual	Preamble and Sections 1.B, 3.B, 5.A, 5.B, 5.C, 5.D, 5.F, 5.G, and 8	Item 15
h. Minimum Operating Standards	Sections 5.D and 11.F	None
i. Trademark and proprietary information	Sections 1, 3.B, and 12.B	Items 11, 13, and 14
j. Restrictions on products/services offered	Preamble and Sections 1.C, 3.B, 5.A, and 12.B	Item 16
k. Warranty and customer services requirements	None	None
l. Territorial development and sales quotas	None	None
m. Ongoing product/service purchases	Sections 3.E, 3.F, and 3.G	Item 8
n. Maintenance, appearance, and remodeling requirements	None	None
o. Insurance	Section 3.E	Items 6, 7, Exh. H, and I
p. Advertising	None	Item 11
q. Indemnification	Sections 5.1 and 8	None
r. Owner's participation/management/ staffing	Sections 5, 9, and 21	Items 8 and 15
s. Records/reports	Sections 5.A, 5.E, and 6.A.2	Item 12
t. Inspections/audits	Section 3.D	None
u. Transfer	Sections 5.C and 8	Item 17
v. Renewal	Section 1	Item 17
w. Post-termination obligations	Section 12	Item 17
x. Non-competition covenants	Sections 9 and 12	Item 17
y. Dispute resolution	Section 18	Item 17

ITEM 10. FINANCING

EC will make available to qualified fFranchisees the financing of 50% of the Initial Franchise Fee. The current Initial Franchise Fee is $30,000. The loan is directly financed by EC on the following basis:

1. No loan payments or accrued interest for 24 months from the official start date of the franchise.

2. Based on the regular billing of the franchise, on the 24th month of operation, the outstanding loan balance is reduced $1 for every $1 of regular monthly billing.

3. The credit cannot exceed the balance of the loan.

4. If a loan balance remains after 24 months of operation, it is financed by EC at 9.75 percent interest for 24 months.

5. If default is made on any payment and not cured within ten (10) days after written notice, EC can declare the whole amount due and payable. Exhibit E, Promissory Note further outlines the terms and conditions of this loan and remedies for default.

6. A loan discount is considered compensation by the Internal Revenue Service. Therefore, Form 1099 will be issued to the Borrower for the amount the loan is reduced.

Item Financed	Source of Financing	Down Payment	Amount Financed	Term (Yrs.)	Interest Rate	Monthly Payment	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Initial Franchise Fee	Franchisor	None	$15,000	2	0% up to 24 months from the start of the franchise, after that 9.75% for 24 months		None		The entire defaulted amount due within 10 days of written notice	May lose Franchise rights

Other than the financing of a portion of the Initial Franchise Fee to Franchisees, EC does not offer direct or indirect financing; provided, that at the sole discretion of EC, EC may provide financing to Owners/Managers of existing franchises for costs other than franchise fees. EC does not guarantee any note, lease, or other obligation that you may have incurred. There is no placement of financing by EC. EC will comply with all appropriate laws governing any direct financing offered by us to you, including, if applicable, the Minnesota Finance Lender's Law.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Before you open your business under the Franchise Agreement, EC will:

1. Designate your exclusive territory and service category (Franchise Agreement - Paragraph 1).

2. Provide you with the support to purchase your initial inventory of supplies, equipment and forms, and our Standard ECOM (Franchise Agreement Paragraph 2). *See* Item 7 of this Disclosure Document.

3. Train you or your manager in our methods and procedures of operation (Franchise Agreement - Paragraph 3.A.). *See* Item 7 of this Disclosure Document and the table below.

4. We will allow you the opportunity and a reasonable time to review our ECOM in our office or online before you purchase the franchise.

After opening your business, we are obligated under the Franchise Agreement to make available to you or assist you in obtaining the following:

1. Provide you or your manager with additional training (Franchise Agreement - Paragraphs 3.A. and 5.D.). *See* Items 6 and 7 of this Disclosure Document and the table below.

2. To provide ongoing written communications with you, which may come in three general formats: (1) EC may make modifications to our standard operating procedures (known as the Environment Control Operating Manual—ECOM) which contains mandatory, recommended, and suggested specifications, standards and procedures, and all such modifications shall become binding upon you. The ECOM is confidential and remains our property. You have the opportunity and a reasonable time to view the ECOM before purchasing the franchise. (Franchise Agreement - Paragraph 3.B.). The ECOM is available on a secured website. In addition to the operation manual, EC provides (2) 360Connect, an EC internal website; EC maintains this website, which is a tool used to communicate with all EC franchises, such as articles on company activities, awards programs and recognition, calendar schedules, and other pertinent information for your benefit. The website address is https://www.360connect.us.

3. Furnish you a bookkeeping service that includes payroll, accounts receivable, accounts payable, banking, financial statements and analyses, and related accounting practices. (Franchise Agreement - Paragraphs 3.G and 4.A.).

4. Provide you with all bookkeeping and personnel forms. Sales brochures, bid folders, business cards, and stationery are also available at your expense.

5. Conduct the following training programs for you or your manager:

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Company Development Seminar[1]	40[2]	None	Our headquarters in Coeur d'Alene, Idaho
Sales Training[3]	None	Approx. 30 per trip	Your Territory[4]
AdditionalTraining[4]	None	Approx. 30	Your Territory.[4]
Refresher or New Manager Training[5]	40	None	Our headquarters in Coeur d'Alene, Idaho
Refresher Sales Training[6]	None	Approx. 30 per trip	Your Territory.[4]
Optional Online Training[7]	Self-Directed	Varies	Online[7]

NOTES:

Note 1: (Franchise Agreement - Paragraph 3.A). All training occurs at EC's Coeur d'Alene, Idaho headquarters. Costs of this training, including travel and living expenses for you or your initial manager, are paid for from your Development Expense Payment.

Note 2: This seminar is held one or two times per year and usually runs for five (5) business days.

Note 3: Costs of this training are paid for from your Development Expense Allocation.

Note 4: In some instances, a Franchisee or other representative approved by the Franchisor experienced in sales, personnel, or operations will conduct the training.

Note 5: This is the Company Development Seminar and it is mandatory for any manager of your franchise. (Franchise Agreement - Paragraph 5.C.). You are responsible for the tuition ($1,700) plus the travel and hotel expenses of the manager.

Note 6: Four (4) business days of additional training in the franchise territory at a cost of $2,500 paid from your Development Expense Allocation.

Note 7: Optional Online Training: The Development Center is an optional online video training library for Franchisees to use in developing their staff and employees. The number of topics continue to expand and include presentations on various aspects of the EC System. The first two years are free for a new franchise. After two years, they have the option of subscribing for a monthly fee based on the following schedule:

Net Monthly Revenue	Monthly Fee
First two years	Free
$ 0 - $25,000	$25
$25,000 - $50,000	$50
$50,000 - $100,000	$75

$100,000 - $150,000	$150
$150,000+	$200

The methods used by EC to select the geographic territory of your franchise includes, but is not limited to, the aggregation of survey data of the proposed territory to determine that both the potential monthly sales and the population in the proposed territory are at least the minimum which will support the sales targets set by EC.

The typical length of time between the signing of the Franchise Agreement or the first payment of consideration for the franchise and the opening of your business is ninety (90) days to one-hundred twenty (120) days. Factors affecting this length of time usually include training you or your manager and the recruitment of employees.

There are no advertising requirements included in the Franchise Agreement.

Computer Systems

Protection of Electronic Systems

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders ("E-problems"). It is your responsibility to protect yourself from these risks by taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems) and to provide backup systems.

You are required to use two computer/software systems in the operation of the business. Both systems interface directly with Environment Control's Bookkeeping Department.

UKG – This software is used primarily for electronic timekeeping and related payroll functions. It is licensed by your franchise directly from UKG.

A. The primary benefits include:

1. Telephone Timekeeping – Employees record their work times through an automated call-in/call-out system.

2. Mobile App – A mobile application that can be loaded on a smartphone or tablet, providing clock in and clock out, message board, employee time history, and pay records, in addition to reporting for supervisors.

3. No-show Notification – Reporting provides visibility on any employee who has not checked in for their shift.

4. Caller ID and Geofencing – Caller ID assures the employee is calling from the job site. Geofencing, available with clock in and out from the mobile app, displays actual location of an employee's punch, and limits punching to approved locations.

5. Voice Mail – A communication tool to and from employees when they check in.

6. Human Resources Data – Applicant onboarding, employee performance, absenteeism, training evaluations, timekeeping, payroll history, turnover, Equal Employment Opportunity Commission (EEOC), etc.

7. Management Reports – Reports are generated in a variety of formats from this data for use by the company management, including daily labor visibility by job, employee, and pay period.

B. The basic costs to the Franchisee are:

<u>**Item**</u>	<u>**Unit Price/Month/Employee**</u>

Workforce Ready Payroll	$0.46~~5~~
Workforce Ready Time Keeping	$1.85~~0~~
Workforce Ready Scheduler	$0.90~~87~~ (Approx.; not billed per employee)
Workforce Ready HR	$1.85~~0~~
Workforce Ready ACA Manager	No Fee to Franchise
Workforce Ready Accruals	No Fee to Franchise
Asher Telephony	$0.94
Workforce Ready Tax Filing	No Fee to Franchise
Total per Employee per Month	**$6.00~~5.86~~**
Monthly Fee per Phone Line for Telephony (Line need may vary - See Asher Telephony Agreement)	**$36.00**

C. The Estimated monthly cost for a franchise with 12 active employees is estimated to be $108.00~~106.32~~.

Estimated Number of Current Active Employees	**Estimated Monthly Total Fees for Current Active Employees**
12 Workforce Ready Costs	$72.00~~0.32~~
Estimated Line Fee	$36.00
Total Fees	**$108.00~~6.32~~**

D. Payment of Software Fees – These fees are collected by the Franchisor and paid directly to UKG. The Franchisor does not receive an economic benefit from this relationship.

Intacct – This software is used primarily for the franchise to track financial data related to the operation of the business. It is licensed by your franchise directly from Intacct.

A. The primary benefits include the management of local financial information including:

1. Accounts Payable
2. Accounts Receivable
3. Job Costing
4. Customer Information
5. Management Report Visibility
6. Work Scheduling – Special Service Work Tickets, Assignment Tracking, Coordination, and Billing.

B. The basic cost of Intacct to the Franchise is based on your monthly net revenue and includes:

1.

Net Monthly Revenue	Full Users	Visibility Only
$0 - $50,000	1	--
$50,000 - $175,000	1	1
$175,000 - $500,000	2	1
$500,000 +	2	2

2. Monthly Intacct Support Fee (API/ Work Scheduling Support) $10

3. Additional Users can be purchased at the following rates:

Additional Full Users (Under $2 Million Annual Revenue)	$509~~461~~	Each, annually
Additional Full Users (Over $2 Million Annual Revenue)	$795~~720~~	Each, Annually
Visibility Only Users	$168~~150~~	Each, Annually

C. Payment of Software Fees - These fees are collected by the Franchisor, but paid directly to Intacct. The Franchisor does not receive an economic benefit from this relationship.

Additional Initial Costs

A. The initial costs for the necessary hardware and software set up, training, etc., are paid from the Development Package in the new franchise purchase as an allowance including:

Hardware Allowance	$2,500
Initial Set-Up Fee	$300
UKG/Intacct Allowance (First 12 Months)	$1,200
Training	$500
Total	**$4,500**

B. You may periodically need to update hardware due to normal advances in technology. Most software updates or enhancements are included in the monthly licensing fees.

C. Financial Information and Systems Support – Those Franchises that use our bookkeeping system have a secured electronic access through the Internet to their financial information, which includes financial reports, financial records (payroll, payables, receivables, etc.) and financial data for research. This information is updated daily based on information received by us.

1. Cost – The monthly base fee for this service is paid to the Franchisor on the scale noted below. These funds are used to underwrite the ongoing cost of the system, security, enhancements, and support. The fee is prepaid for the first 24 months of a new franchise.

Net Revenue	Fee
$0 - $100,000	$50
$100,001 - $250,000	$100
$250,001+	$150
Additional Companies	$25

2. Equipment – No additional hardware or software is required beyond Internet access.

Franchisor's Access to Franchisee's Information

Information needed to do your bookkeeping contained in UKG and Intacct is uploaded electronically to us. However, you as the Franchisee, can access your information at any time.

ITEM 12. TERRITORY

You will receive an exclusive territory in which the franchise is established, and the service category you are authorized to operate, subject to the terms which allow for National Account contracts and rights arising in the event of your default. A map outlining the boundaries of the territory will be provided you at least ten (10) business days before you sign the Franchise Agreement or pay any consideration.

EC will not establish another franchise operating in a different service category, but permitted to use EC's trade name or trademark in your territory unless it discusses this placement.

EC has not established and may not establish a company-owned outlet operating in the same service category and using EC's trade name or trademark in your territory.

Your Franchise Agreement does not grant you any options, rights of first refusal, similar rights to get additional franchises, in similar or different service categories, or in an adjoining geographic territory to your franchise territory.

EC has not established and may not establish other franchises or company-owned outlets selling or leasing similar products or services under a different trade name or trademark in your territory.

EC may obtain National Account contracts with customers who may have offices or facilities in your territory. At that time, you will be offered the opportunity to bid on these contracts and perform the required services subject to the restrictions set forth in Section 1 of the Franchise Agreement.

Continuation of your territorial exclusivity depends upon you performing all the terms of the Franchise Agreement and published operating procedures in your service category. If you fail to perform all the terms, EC, at its option may elect to:

1. Engage in the same or substantially similar business in your territory;

2. Revoke the Franchise Agreement and terminate the franchise;

3. Alter the existing franchise territory to allow for continuation of the existing franchise while developing another separate and distinct franchise(s) in the remaining territory.

The basis for taking this action is primarily, but not limited to your compliance with the "Duties of Franchisee" outlined in Section 5 of the Franchise Agreement. Other considerations may include but are not limited to:

1. Failure to comply with laws, rules, or regulations of all federal, state and local governments applicable to operating the franchise.

2. Excluding revenue from the company records, falsifying information to the Franchisor or submitting false records or reports to the Franchisor.

3. A 36-month average CORE performance below Performance of Merit.

If we determine that you have failed to comply with the required terms and conditions of the Franchise Agreement or published Operating Procedures, the following steps will be taken in accordance with Sections 11 through 14 of the Franchise Agreement:

1. Written Notification – We will provide you with written notification that the franchise is in breach of the Franchise Agreement. This correspondence will include a specific description of the basis for this action.

2. Remedy – We will outline the performance required to remedy the breach.

3. Timeframe – We will define the timeframe for implementing the necessary corrections.

If you repeatedly fail to perform in accordance with the terms and conditions of the Franchise Agreement and/or EC's published operating procedures, then EC may terminate the Franchise Agreement without additional written notice and without a reasonable time to correct defects. *See* Section 11.C of the Franchise Agreement.

To date, EC has not elected to either: (1) engage in a same or substantially similar business within a territory, or (2) adjust the territory boundaries in the course of exercising its available remedies under the terms of its Franchise Agreements. Instead, EC has exercised its right to revoke the Franchise Agreement and terminate the franchise.

ITEM 13. TRADEMARKS

The service mark, "Environment Control" and all trademarks used by EC, which are displayed in this section of this Disclosure Document, are licensed to you.

The service mark of Environment Control has been registered with the United States Patent and Trademark Office since October 12, 1971, its registration number is 0922074 (Serial #72360566) and the registration is on the principal register. A declaration of continuous use by registrant of the mark was recorded September 26, 1977, in the United States Patent and Trademark Office. Its ten (10) year renewal term began October 12, 2021, and will expire on October 12, 2031. This registration will be renewed prior to expiration.

ENVIRONMENT CONTROL®

The trademark of the Environment Control updated "logo" was registered with the United States Patent and Trademark Office on May 29, 2018; its registration number is 5480476 (Serial #87655728) and the registration is on the principal register. The term of this registration is for a period of five (5) years, which was in~~is in the process of being~~ renewed on November 29, 2023, and will expire on May 29, 2028. This registration will be renewed prior to expiration.

On October 29, 1998, Environment Control filed to register its service mark "It's About Lives" on the principal register of the United States Patent and Trademark Office. Its registration number is 2448626 (Serial #75579521) and it is filed under International Class 35. This service mark was registered on the principle register on May 8, 2001. The term of this registration is for a period of ten (10) years and will expire on May 8, 2031. This registration will be renewed prior to expiration.

It's About Lives®

A certificate of Registration No. 41110 was entered on the records of the Secretary of State of California on November 10, 1992 for the service mark "Sun Over City Skyline Design." A Certificate of Registration No. 41113 was entered on the records of the Secretary of State of California on November 10, 1992 for the service mark "Environment Control." The five (5) year renewal term for both service marks was renewed on May 27, 2022, and will expire on November 09, 2027. This registration will be renewed prior to expiration.

Reg. No. 41110	Reg. No. 41113
	ENVIRONMENT CONTROL®

On August 12, 2014, Environment Control filed to register its service mark "A Building Service Company" on the principal register of the United States Patent and Trademark Office. Its registration number is 4583244 (Serial #86102271) and it is filed under International Class 37. This service mark was registered on the principle register on August 12, 2014. The term of this registration is for a period of five (5) years, which was renewed on February 12, 2024, and will expire on August 12, 203~~2~~4. This registration will be renewed prior to expiration.

ENVIRONMENTCONTROL
A BUILDING SERVICE COMPANY

There are no currently effective determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of California or any court; or any pending infringement, opposition or cancellation or any pending litigation involving any of EC's service marks or trademarks.

There are no agreements currently in effect that limit the rights of EC to use or license the use of the service marks or trademarks in any manner material to the franchise.

EC must protect any or all rights which you have to use the service marks and trademarks and we must protect you against claims of infringement or unfair competition arising out of your use of our principal marks.

There are no superior prior rights or infringing uses actually known to EC that could materially affect your use of the service marks or trademarks in California or any state in which the franchised business is to be located.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent, but you can use the proprietary information in EC's Standard Operations Manuals. The manuals are described in Paragraph 3.B of the Franchise Agreement, are protected by copyright law, and the information is proprietary to the Franchisor. Paragraph 3.B of the Franchise Agreement describes limitations on the use of these manuals by you and your employees. You must also promptly tell us when you learn about unauthorized use of this proprietary information. EC is not obligated to take any action but will respond to this information as we think appropriate.

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials that are relevant to their use by our franchises.

We do not know of any superior rights in or any infringing uses of our copyrighted materials that could materially affect your use of the copyrighted materials.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Under the Franchise Agreement, the majority Equity Owner of the Franchisee, or representative approved by the Franchisor, shall devote a full-time effort, and such time as shall be reasonable and necessary to properly operate the franchise business in a manner in keeping with the standards set by the Franchisor. (Franchise Agreement - Paragraphs 5.B. and 8).

You must provide management and supervision for the franchise. Any full-time Manager responsible for the day-to-day operation of the franchise must attend the Company Development Seminar (Franchise Agreement - Paragraph 5.C.).

You also must not employ any employee with access to the company's confidential information unless you first obtain a written agreement where that manager agrees not to divulge any trade secrets of the franchise and not to compete in the franchise territory during employment and for one (1) year after employment. (Franchise Agreement - Paragraph 9).

Although not obligated to do so, most Franchisees and their staff meet on a voluntary basis in regional management association meetings to discuss business techniques, offer recommendations for EC programs, and share common concerns and successes.

In addition to the Company Development Seminar, EC offers a variety of training seminars. These programs are designed to provide Franchisees with ongoing training, and to acquaint them with the latest improvements to the EC business system. These seminars include lectures, updates, time for instruction, personal development, recreation, and recognition. You are responsible for the cost of these training programs, which includes a tuition fee, travel, lodging, and personal expenses. These seminars increase your ability to operate the franchise in accordance with the Franchise Agreement and operating procedures, as well as allow you to stay abreast of improvements, enhancements, and changes to the EC business system. Therefore, regular attendance is considered one of the Duties of Franchisee as outlined in Section 5 of the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer other services or goods for sale within the following guidelines:

1. To assure initial development of the franchise, you are only authorized to offer commercial services that are cleaning, sanitation, janitorial and all other related commercial building maintenance services under the title and style of Environment Control. After three (3) full years of operations, and with our written approval, you may consider expanding services to include other related services categories such as, but not limited to, painting, landscaping, pest control, restoration, and construction. Revenue from these expanded services categories is included in the overall revenue of the Franchisee.

2. To assure continued development of the franchise, you must devote sufficient time to the franchise business as outlined in the Franchise Agreement, Section 5. Therefore, you cannot engage in offering other services if it in any way inhibits your ability to fulfill these required duties.

3. Any service other than those outlined in Section 1 of the Franchise Agreement must be pre-approved by the Franchisor, and may, if approved, be required to operate under a different name and logo approved by EC.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreement attached to this D~~d~~isclosure D~~d~~ocument.

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 1	For an indefinite term of years, subject to audit, specified terms, and adjustment.
b. Renewal or extension of the term	Section 1.A Indefinite Term	Subject to signing new Franchise Agreement every ten (10) years (no additional fees or costs required).
c. Requirements for you to renew or extend	Section 1.A	Subject to signing new Franchise Agreement every ten (10) years (no additional fees or costs required).
d. Termination by you	None	
e. Termination by EC without cause	None	
f. Termination by EC with cause	Sections 11 and 12	EC can terminate only if you breach agreement or default.
g. "Cause" defined - curable defaults	Section 11	You have 30 calendar days to cure defaults, but only 10 business days to cure financial obligations such as non-payment of sums due.[1]
h. "Cause" defined - defaults which cannot be cured	Section 11.C	Termination due to repeated failure to perform.
i. Your obligations on termination/non-renewal	Sections 11 and 12	You are to discontinue use of all EC names and trademarks and turn over all manuals, customer lists, and contracts to EC (see item "r." below).
j. Assignment of Contract by EC	None	
k. "Transfer" by you - defined	Sections 5.C and 8	Includes any transfer or assignment of your interest in the franchise, subject to "Legacy" franchise restrictions.
l. EC's approval of transfer by you	Section 8	EC has the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for EC's approval of transfer	Sections 5.C and 8	You are to reimburse EC for all costs of transfer (see item "r." below).[2]
n. EC's right of first refusal to acquire your business	Section 8	EC can match any offer for your business.[3]

Provision	Section in Franchise Agreement	Summary
o. EC's option to purchase your business	None	
p. Your death or disability	Section 8	EC has the right to approve all transfers, including as a result of death or disability, but will not unreasonably withhold approval.
q. EC's option covenants during the term of the franchise	Non-competition Sections 8.D, 9, and 12	You~~Neither you nor your manager(s)~~ may not engage in competing business in the franchise territory.[4]
r. Non-competition covenants after the franchise is terminated or expires	Sections 9 and 12	You may not engage in competing business in the franchise territory or in any other EC franchise territory existing at the time for a term of five (5) years. ~~Neither you nor your manager(s) for five (5) years can engage in competing business in the franchise territory or in any other EC franchise territory existing at the time.~~ Also, you may not~~cannot~~ for five (5) years associate with competitors in the territory[4] (including after assignment).[5]
s. Modification of the agreement	Sections 3.B and 15	No modifications unless agreed to in writing by you and EC, except for changes in operations manuals.
t. Integration/merger clause	Sections 3.B and 15	Operations manuals and Franchise Agreement are binding. Nothing in the Franchise Agreement or other Exhibits disclaim any representations made in the Franchise Disclosure Document.
u. Dispute resolution	Section 18	The parties will attempt to resolve through negotiation and/or binding arbitration.
v. Choice of Forum	Section 18.B.6	Arbitration must be within state where franchise is located.
w. Choice of Law	Section 19.A	Law of the jurisdiction where franchise is located.

NOTES:

Note 1: Includes your failure to provide the required operating capital, assignment of the business for benefit of your creditors, appointment of a receiver, guardian or conservator or trustee in bankruptcy to take charge of all or part of the franchise property. Termination for the reason of your bankruptcy may be unenforceable under federal bankruptcy law.

Note 2: You shall reimburse us for all costs and expenses incurred in connection with any such assignment or proposed assignment, including without limitation, our time to qualify the new owner(s), consult on the terms, conditions, and agreement of the assignments, costs to revise accounting records, etc. These costs and expenses are approximated to be $1,000. The actual costs for some of these services are found in the published procedures in the EC Standard Operations Manual. Those that are not, are charged at a rate of $250 per hour.

Note 3: Your heirs or personal representative have the right to succeed to the ownership and operation of the franchise.

Note 4: Neither you or your managers(s) are to disclose to others the methods of operation, customer lists or other trade secrets.

Note 5: The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Various states, including but not limited to the following, have statutes that may supersede the Franchise Agreement in your relationship with the Franchisor including areas of termination and renewal of your franchise: Arkansas (Code Sections 4-72-201 - 4-72-210), California (Bus. & Prof. Code Sections 20000 -20043), Connecticut (42-133e, et seq.), Delaware (Code, Title 6, Chapter 25, Sections 2551-2556), Hawaii (Rev. Stat. 482E-6), Illinois (ILCS 705/1-44), Indiana (Code Sections 23-2-2.7(1) - (7)), Iowa (Sections 523H.1-523H.17), Michigan (19.854(27)), Mississippi (Code Sections 75-24-51 - 75-24-63), Missouri – Stat. Section 407.400-407.420, Nebraska (Re. Stat. Sections 87-401 - 87-410), New Jersey (Rev Stat. Sections 56:10-1 - 56:10-12), South Dakota (Codified Laws Section (37-5A-51), Virginia (Code Section 13.1-564), Washington (Code Section 19.100.180), Wisconsin (Stat. Section 135.03), District of Columbia (Code Sections 29-1201 - 29-1208), Puerto Rico (Annotated Laws Sections 287-278d), Virgin Islands (Annotated Code Section 130-139). These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

EC does not furnish or authorize its sales persons to furnish any oral or written information concerning the actual or potential sales, costs, income, or profits of an EC franchise with the exception of the information described in Item 19G. Actual results vary from unit to unit and EC cannot estimate the results of any particular franchise.

The Franchise Agreement (Paragraph 6.A.4) also states that no salary shall be paid you or any employee of the franchise without the prior written approval of EC.

As explained in Paragraph 6 of the Franchise Agreement, your income is essentially determined as a percentage of the company's net revenue. The income is based on the following:

A. **Definitions –** "Total Revenue" or "Revenue" shall mean and include all monies generated by Franchisee from operation of its franchise or from the sale of goods or services and "Net Profit" is defined as "Total Revenue" less labor and operating expenses excluding the following income and expenses:

i. Capital expense including equipment and vehicle expenses are included as expense deductions at 2.5% of Total Revenue (e.g., 1% Auto Allowance, 1.5% Other Capital Assets) based on national, historical averages. Auto Allowance limit applies to management staff only. This allowed capital expense figure is used to calculate net profits regardless of whether the company spends less or more on capital assets.
ii. Equipment sales gain or loss;
iii. Self-employment taxes;
iv. Personal Property Taxes;
v. Owner Retirement Plan Costs;
vi. Officer Life Insurance;
vii. Consulting fees paid to a third party;
viii. Third party training costs (not authorized by Franchisor);
ix. Charitable contributions;
x. Annual rent increases in excess of 2% on owner occupied buildings;
xi. Bank Service Charges;

xii. Consulting fees;
xiii. Personal benefit expenses for owner and spouse; and
xiv. Interest Income.

B. **Executive Compensation** – The calculation of the Executive Compensation is based on the following chart, calculated monthly, based on quarterly figures.

Salary Percent of Net Monthly Revenue	Net Monthly Revenue
6%	$0 - $50,000
4%	$50,001 - $150,000
3%	$150,001 - $250,000
2%	$250,001 - $350,000
1%	$350,001+

Executive compensation shall be reduced by any labor cost exceeding 54%. If labor exceeds 66%, growth profits (see point D below) are reduced by 25% of the overage; not to exceed the total growth profits (*see* Franchise Agreement).

C. **Efficiency Profits** – All net profits exceeding 25% of the net monthly revenues for each calendar quarter are paid to the Manager.

D. **Ownership Profits** – One-half of the regular net profits up to 25% of the net monthly revenue each calendar quarter. If there is more than one Equity Owner of the Franchisee, ownership profits are divided between the Manager and all Equity Owners of the Franchisee according to their percentages of ownership.

E. **Growth Profits** –25% of the regular net profits in excess of the first $12,000 of regular profits generated during a calendar quarter. (See note in point A. Executive Compensation above.)

F. **Hourly Rate** – For the first 3 years of operation the standard hourly rate, as determined by EC, paid to the Manager for any physical labor performed in the cleaning of accounts. The Manager cannot receive compensation for such activities as management, supervision, training, sales, administration, personnel, etc. These responsibilities are compensated for by the Executive Compensation, as described in this section.

G. **Other Earnings Claims** – To assist individuals in their evaluation of EC's franchise opportunity, we provide the following revenue and income statistics that are updated at the close of each calendar quarter. They are based on the actual experience of all EC franchised units. As stated, actual results vary from unit to unit, and EC cannot estimate the results of any particular franchise.

1. **Annual Franchise Company Revenues** – This chart represents the average annual total revenue of each EC franchise company. Annual revenues are displayed in ranges as indicated. The percentage is calculated by dividing the number of EC companies with revenue in a specific range by the total number of EC companies. All active franchise companies are included in this figure that have been operating a minimum of 12 months.

Note:
This information is based on the following criteria:
1. All franchises operating for 12 full months were used to derive this information.
2. The total number of franchises operating in this period was 54~~3~~.
3. The goal is to provide a historical perspective of monthly billing by franchises.
4. Revenue and income for some franchises include operations from business entities closely associated with franchise.
5. The median billing number among Franchisees for the applicable period was $2,720,300.86 ~~$3,040,908~~; the highest billing Franchise billed $12,812,541.66~~13,526,047~~ for the applicable period; and the lowest billing Franchise during the applicable period billed $184,506.54~~$344,566~~.

Percentage of Companies Per Billing Range

12-Month Billing Summary

January - December 2023

Over $5 Million	30.3%
$3,000,001 - $5,000,000	18.2%
$2,000,001 - $3,000,000	15.2%
$1,000,001 - $2,000,000	15.2%
$500,001 - $1,000,000	12.1%
$1 - $500,000	9.0%

Percentage of Companies Per Billing Range

12-Month Billing Summary

January - December 2022

Over $5 Million	30.3%
$3,000,001 - $5,000,000	21.2%
$2,000,001 - $3,000,000	15.1%
$1,000,001 - $2,000,000	9.1%
$500,001 - $1,000,000	18.2%
$1 - $500,000	6.1%

2. **Annual Income of the Managing Owner** – This chart provides a summary of the annual gross income of EC Managing Owners. These figures represent the actual total income for the previous 12 months derived from the elements described in points A – F of this item. Annual earnings are displayed in ranges as indicated. The percentage is calculated by dividing the number of Managing Owners with earnings in a specific range by the total number of Managing Owners.

Note:
This information is based on the following criteria.

1. All outlets operating for 12 full months. (Includes those with change of ownership or asset purchase.)
2. The total number of outlets operating in this period was 54~~3~~.
3. The total number of outlets used to derive this information was 54.
4. The purpose of this information is not to set a standard for a Franchisee's earnings. The goal is to provide a historical perspective of the income earned by existing Franchisees from the franchise business.
5. There were no material differences between the outlets included in this chart.
6. The median earning figure for managing owners during the applicable period was $323,713.64~~369,588~~; the highest managing owner earning for a company totaled $1,232,305.88 ~~1,391,677~~ during the applicable period; and the lowest managing owner earning for a company totaled <$14,621.13>~~<$58,370>~~ during the applicable period.

Managing Owners' Annual Earnings Summary

January - December 2023

$500,001 - $1 Million+	39.4%
$300,001 - $500,000	12.1%
$200,001 - $300,000	12.1%
$100,001 - $200,000	18.2%
< $100,000	18.2%

Managing Owners' Annual Earnings Summary

January - December 2022

$500,001 - $1 Million+	27.3%
$300,001 - $500,000	30.3%
$200,001 - $300,000	15.2%
$100,001 - $200,000	3.0%
< $100,000	24.2%

PLEASE BE ADVISED THAT A NEW FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS STATED IN THIS EARNINGS CLAIM.

SOME EC FRANCHISED UNITS HAVE EXPERIENCED EARNINGS IN THE AMOUNTS SET FORTH IN THIS EARNINGS CLAIM. YOUR INDIVIDUAL RESULTS MAY DIFFER. EC DOES NOT HEREBY PROVIDE ANY ASSURANCES THAT YOU WILL EXPERIENCE EARNINGS IN THE AMOUNTS SET FORTH IN THIS EARNINGS CLAIM.

SUBSTANTIATION OF THE DATA USED IN PREPARING THE EARNINGS CLAIMS SET FORTH IN PARAGRAPH G OF THIS ITEM WILL BE MADE AVAILABLE TO A PERSPECTIVE FRANCHISEE UPON THEIR REASONABLE REQUEST.

Other than the preceding financial performance representation, EC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representation either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Franchisor's management by contacting Jeff LaBenne at Environment Control, 6485~~6525~~ North Mineral Drive, Coeur d'Alene, Idaho 83815 - (208) 772-8200, Ext. 148, and the Federal Trade Commission at the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISE INFORMATION

System-wide Outlet Summary
For years 2022~~1~~ to March 31, 2024~~3~~

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change -/+
Franchised	2022	53	53	0
	2023	53	54	+1
	2024	54~~3~~	54	0~~+1~~
Company-Owned	2022	N/A	N/A	N/A
	2023	N/A	N/A	N/A
	2024	N/A	N/A	N/A
Total Outlets	2022	53	53	0
	2023	53	54	+1
	2024	54~~3~~	54	0~~+1~~

Note: From April 1, ~~2022~~ 2023 through March 31, ~~2023~~2024, there ~~was one~~ were no System-wide outlets opened.

Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For years 2022~~1~~ to March 31, 2024~~3~~

State	Year	Number of Transfers
Arizona	2022	0
	2023	0
	2024	0
California	2022	0
	2023	1
	2024	0~~1~~
Colorado	2022	0
	2023	0
	2024	0
Connecticut	2022	0
	2023	0
	2024	0
Florida	2022	0
	2023	0
	2024	0

State	Year	Number of Transfers
Georgia	2022	0
	2023	0
	2024	0
Idaho	2022	0
	2023	0
	2024	1~~0~~
Illinois	2022	0
	2023	0
	2024	0
Indiana	2022	0
	2023	0
	2024	0
Kentucky	2022	0
	2023	0
	2024	0
Massachusetts	2022	0
	2023	0
	2024	0
New Mexico	2022	0
	2023	0
	2024	0
North Carolina	2022	0
	2023	0
	2024	0
Ohio	2022	0
	2023	0
	2024	0
Oregon	2022	2
	2023	0
	2024	0
Pennsylvania	2022	0
	2023	0
	2024	0
Tennessee	2022	0
	2023	0
	2024	0
Texas	2022	0
	2023	0
	2024	0
Washington	2022	0
	2023	0
	2024	0
Wisconsin	2022	0
	2023	0
	2024	0
TOTAL	2022	2
	2023	1
	2024	1

Note: From April 1, ~~2022~~ 2023 through March 31, ~~2023~~2024, one transfer occurred of Outlets from Franchisees to New Owners.

Status of Franchised Outlets

For years 2022~~1~~ to March 31, 2024~~3~~

State	Year	Outlets at the Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at the End of the Year
Arizona	2022	2						2
	2023	2						2
	2024	2						2
California	2022	14						14
	2023	14						14
	2024	14						14
Colorado	2022	4						4
	2023	4						4
	2024	4						4
Connecticut	2022	1						1
	2023	1						1
	2024	1						1
Florida	2022	2						2
	2023	2	1					3
	2024	3~~2~~	~~1~~					3
Georgia	2022	2						2
	2023	2						2
	2024	2						2
Idaho	2022	1						1
	2023	1						1
	2024	1						1
Illinois	2022	0						0
	2023	0						0
	2024	0						0
Indiana	2022	0						0
	2023	0						0
	2024	0						0
Kentucky	2022	1						1
	2023	1						1
	2024	1						1
Massachusetts	2022	0						0
	2023	0						0
	2024	0						0
New Mexico	2022	1						1
	2023	1						1
	2024	1						1
North Carolina	2022	2						2
	2023	2						2
	2024	2						2
Ohio	2022	9						9
	2023	9						9
	2024	9						9
Oregon	2022	2						2
	2023	2						2
	2024	2						2
Pennsylvania	2022	1						1
	2023	1						1
	2024	1						1
Tennessee	2022	1						1
	2023	1						1

	2024	1						1
Texas	2022	1						1
	2023	1						1
	2024	1						1
Washington	2022	5						5
	2023	5						5
	2024	5						5
W. Virginia	2022	1						1
	2023	1						1
	2024	1						1
Wisconsin	2022	3						3
	2023	3						3
	2024	3						3
TOTALS	2022	53						53
	2023	53	1					54
	2024	54~~3~~	~~1~~					54

Note: From April 1, ~~2022~~ 2023 through March 31, ~~2023~~2024, the Status of Franchise Outlets was ~~one~~ no Franchises opened.

Status of Company-Owned Outlets
For years 2022~~1~~ to March 31, 2024~~3~~

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Required From Franchisee	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
Arizona	2022	0					0
	2023	0					0
	2024	0					0
California	2022	0					0
	2023	0					0
	2024	0					0
Colorado	2022	0					0
	2023	0					0
	2024	0					0
Connecticut	2022	0					0
	2023	0					0
	2024	0					0
Florida	2022	0					0
	2023	0					0
	2024	0					0
Georgia	2022	0					0
	2023	0					0
	2024	0					0
Idaho	2022	0					0
	2023	0					0
	2024	0					0
Illinois	2022	0					0
	2023	0					0
	2024	0					0
Indiana	2022	0					0
	2023	0					0
	2024	0					0
Kentucky	2022	0					0
	2023	0					0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Required From Franchisee	Outlets Closed	Outlets Sold to Franchisees	Outlets at the End of the Year
	2024	0					0
Massachusetts	2022	0					0
	2023	0					0
	2024	0					0
New Mexico	2022	0					0
	2023	0					0
	2024	0					0
North Carolina	2022	0					0
	2023	0					0
	2024	0					0
Ohio	2022	0					0
	2023	0					0
	2024	0					0
Oregon	2022	0					0
	2023	0					0
	2024	0					0
Pennsylvania	2022	0					0
	2023	0					0
	2024	0					0
Tennessee	2022	0					0
	2023	0					0
	2024	0					0
Texas	2022	0					0
	2023	0					0
	2024	0					0
Washington	2022	0					0
	2023	0					0
	2024	0					0
W. Virginia	2022	0					0
	2023	0					0
	2024	0					0
Wisconsin	2022	0					0
	2023	0					0
	2024	0					0
TOTALS	2022	0					0
	2023	0					0
	2024	0					0

Note: From April 1, ~~2022~~ 2023 through March 31, ~~2023~~2024, the Status of Company-Owned Outlets are none.

Projected Openings as of March 31, 2024~~3~~

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
Arizona	0		0
California	0		0
Colorado	0		0
Connecticut	0		0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
Florida	0		0
Georgia	0		0
Idaho	0		0
Illinois	0		0
Indiana	0		0
Kentucky	0		0
Massachusetts	0		0
New Mexico	0		0
North Carolina	0		0
Ohio	0		0
Oregon	0		0
Pennsylvania	0		0
Tennessee	0		0
Texas	0	~~1~~	0
Utah	0	1~~1~~	0
Washington	0		0
West Virginia	0		0
Wisconsin	0		0
TOTALS	0	1~~2~~	0

Note: From April 1, ~~2023~~ 2024 through March 31, ~~2024~~2025, the Projected Openings of new Franchises is ~~two~~one.

List of Franchisees

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

Below are the names, addresses, and telephone numbers of all Franchisees as of March 31, 2024~~3~~, and the last known home address and telephone number of every Franchisee who had a unit terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during calendar year 2023~~2~~, or who has not communicated with us within 10 weeks of the application date of this Disclosure Document.

You may wish to speak with current and former Franchisees. Current and former Owners may be willing, but are not obligated to speak to with you.

ARIZONA FRANCHISES (2)	
Environment Control—Phoenix Stephen Checkley 2802 W. Northern Avenue, Suite #1 Phoenix, AZ 85051-6626 (602) 864-1825	Environment Control—Tucson Greg Ingram 301 E. Fort Lowell Rd. Tucson, AZ 85705 (520) 292-3992

CALIFORNIA FRANCHISES (14)	
Environment Control—Bakersfield	Environment Control—Ontario

Brian Green 148 N. Akers St. Visalia, CA 93291 (559) 732-6676	William Sanders 570 West Lambert Road, Suite A Brea, CA 92821 (714) 529-5600
Environment Control—East Orange County William Sanders 570 West Lambert Road, Suite A Brea, CA 92821 (714) 529-5600	Environment Control—Sacramento Ben Evans 311 Judah Street Roseville, CA 95678 (916) 780-2545
Environment Control—Fresno Brian Green 3065 N. Sunnyside, Suite 101 Fresno, CA 93727 (559) 456-9791	Environment Control—San Diego Matt Jones 4025 Camino Del Rio South, Suite 330 San Diego, CA 92108 (619) 542-7858
Environment Control—Greater Orange County William Sanders 570 West Lambert Road, Suite A Brea, CA 92821 (714) 529-5600	Environment Control—San Gabriel Valley William Sanders 570 West Lambert Road, Suite A Brea, CA 92821 (714) 529-5600
Environment Control—Greater South County William Sanders 570 West Lambert Road, Suite A Brea, CA 92821 (714) 529-5600	Environment Control—San Jose Robert Wells 123 Ferino Way Fremont, CA 94536 (408) 626-8010
Environment Control—Modesto David Langley 4901 Salida Boulevard, Suite A Salida, CA 95368 (209) 526-5476	Environment Control—Stockton David Langley 4901 Salida Boulevard, Suite A Salida, CA 95368 (209) 526-5476
Environment Control—North Bay Renée Estrada 5560 Skylane Blvd #C Santa Rosa, CA 95403 (707) 836-9257	Environment Control—Visalia Brian Green 148 N. Akers Street Visalia, CA 93291 (559) 732-6676

COLORADO FRANCHISES (4)	
Environment Control—Colorado Springs Kevin Steinseifer 115 N. Circle Drive Colorado Springs, CO 80909 (719) 574-2515	Environment Control—South Denver Doug Walters 1430 Carr Street Lakewood, CO 80214 (303) 274-6001
Environment Control—North Denver Doug Walters 1430 Carr Street Lakewood, CO 80214 (303) 274-6001	Environment Control—South East Denver Dean Hanson 12741 E. Caley Avenue, Unit #146 Centennial, CO 80111 (303) 799-0303

CONNECTICUT FRANCHISES (1)	
Environment Control—Connecticut Valley Tim Foley 15 Benton Drive East Longmeadow, MA 01028 (413) 246-1183	

FLORIDA FRANCHISES (3)	
Environment Control—East Orlando Tim Ortiz~~José Rodriguez~~ 1372 N. Goldenrod Rd, Suite 24	Environment Control—Greater Jacksonville East Tim Ortiz 2604 Powers Avenue, Suite #1

Orlando, FL 32807 (407) 422-6411	Jacksonville, FL 32207 (904) 636-7515
Environment Control—Central Florida Steve Fosnot 2525 Industrial St Leesburg, FL 34748 (425) 967-5013	

GEORGIA FRANCHISES (2)	
Environment Control—Northlake Larry Dodson P.O. Box 942056 Atlanta, GA 31141 (770) 986-7771	Environment Control—Stone Mountain Larry Dodson P.O. Box 942056 Atlanta, GA 31141 (770) 986-7771

IDAHO FRANCHISES (1)	
Environment Control—Boise Jordan Langley 1861 N. Wildwood St. Boise, ID 83713 (208) 336-7731	

KENTUCKY FRANCHISES (1)	
Environment Control—Licking River Andy Pauling~~Gary Davis~~ 7939 S County Road, 25-A, Suite A Tipp City, OH 45371 (937) 669-9900	

NEW MEXICO FRANCHISES (1)	
Environment Control—Albuquerque Dan Christian 2420 Midtown Pl NE, Ste H~~622 Truman Street NE~~ Albuquerque, NM 87107~~110~~ (505) 232-7700	

NORTH CAROLINA FRANCHISES (2)	
Environment Control—Guilford County John D. Walt, Jr. 111-E Pomona Drive Greensboro, NC 27407 (336) 299-7661~~0~~	Environment Control—Raleigh-Durham-Chapel Hill Janie Schwab 3809 Frazier Drive, Suite 105 Raleigh, NC 27610 (919) 212-1725

OHIO FRANCHISES (9)	
Environment Control—Cleveland East Jim Hennessy 1897 E. Aurora Road Twinsburg, OH 44087 (330) 405-6201	Environment Control—Summit County Jim Hennessy 1897 E. Aurora Rd. Twinsburg, OH 44087 (330) 405-6201
Environment Control—North East Ohio Jim Hennessy 1897 E. Aurora Road Twinsburg, OH 44087 (330) 405-6201	Environment Control—North Central Ohio Jim Hennessy 1897 E. Aurora Road Twinsburg, OH 44087 (330) 405-6201
Environment Control—Far Hills/Southwest Ohio Andy Pauling 7939 S. County Road 25A, Suite A Tipp City, OH 45371 (937) 669-9900	

Environment Control—Dayton/Southwest Ohio* Andy Pauling 7939 S. County Road 25A, Suite A Tipp City, OH 45371 (937) 669-9900	Environment Control—Miami Valley/Southwest Ohio* Andy Pauling 7939 S. County Road 25A, Suite A Tipp City, OH 45371 (937) 669-9900
Environment Control—Columbus/Southwest Ohio* Andy Pauling 7939 S. County Road 25A, Suite A Tipp City, OH 45371 (937) 669-9900	Environment Control—Cincinnati/Southwest Ohio* Andy Pauling 7939 S. County Road 25A, Suite A Tipp City, OH 45371 (937) 669-9900
*** In 2012, these separate Ohio franchises merged into one new entity named Southwest Ohio**	

OREGON FRANCHISES (2)	
Environment Control—Eugene Jim Hennessy 204 Oakway Center Eugene, OR 97401 (541) 683-3173	Environment Control—Salem Jim Hennessy 860 Lancaster Drive S.E. Salem, OR 97317 (503) 363-3727

PENNSYLVANIA FRANCHISES (1)	
Environment Control—South Pittsburgh Sean Frazier 324 National Road Wheeling, WV 26003 (304) 232-0990	

TENNESSEE FRANCHISES (1)	
Environment Control—Nashville Tim Hoff 727 Bell Rd, Unit 1707~~P.O. Box 2256~~ Antioch, TN 37013~~1-2256~~ (615) 454-0119~~881-2791~~	

TEXAS FRANCHISES (1)	
Environment Control—Dallas Garrett Davis 13618 Gamma Road Dallas, TX 75244 (469) 804–7499	

WASHINGTON FRANCHISES (5)	
Environment Control—Bellevue Steve Fosnot 7116 220th Street SW, Suite 11 Mountlake Terrace, WA 98043 (425) 967-5013	Environment Control—South Seattle Tim Hoff 6830 S. 220th Street, Bldg. 1, #157 Kent, WA 98032 (253) 854-1041
Environment Control—Greater Vancouver Harry Alicea 9303 NE Fourth Plain Blvd~~803 Grand Blvd., Suite A-2~~ Vancouver, WA 98662~~98661~~ (360) 696-4373	Environment Control—Spokane Bryan Spray 204 S. Koren Road, Suite 200 Spokane Valley, WA 99212 (509) 464-3308
Environment Control—North Seattle Steve Fosnot 7116 220th Street SW, Suite 11 Mountlake Terrace, WA 98043 (425) 967-5013	

WEST VIRGINIA FRANCHISES (1)	
Environment Control—Ohio Valley Sean Frazier 324 National Road Wheeling, WV 26003 (304) 232-0990	

WISCONSIN FRANCHISES (3)	
Environment Control—Fox Valley South Tom Hanson 2902 Agriculture Drive Madison, WI 53718-6876 (608) 630-9600	Environment Control—Wisconsin Tom Hanson 2902 Agriculture Drive Madison, WI 53718-6876 (608) 630-9600
Environment Control—Waukesha Tom Hanson 2902 Agriculture Drive Madison, WI 53718-6876 (608) 630-9600	

NOTES:

The estimated number of franchises to be sold by Franchisor during the one-year period after the close of EC's most recent fiscal year March 31, 2024~~3~~ is none.

No Franchisee had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, March 31, 2024~~3~~.

Trademark-Specific Franchisee Organizations

There are no trademark-specific unit-Franchisee organizations.

ITEM 21. FINANCIAL STATEMENTS

Financial statements for EC prepared in accordance with generally accepted accounting principles and audited by independent certified public accountants for fiscal year ending March 31, 2022~~1~~, 2023~~2~~, and 2024~~3~~ are attached as Exhibit A. EC's unaudited financial statements from April 1, 2024~~3~~ to May 31, 2024~~3~~ are also attached as Exhibit A.

ITEM 22. CONTRACTS

Exhibit B	Franchise Agreement
Exhibit C	Minnesota Addendum
Exhibit D	State Law Addendum
Exhibit E	Promissory Note used for partial financing of the Franchise Fee (see Item 10)
Exhibit F	Development Expense Allocation (see Item 5)
Exhibit G	Names and Addresses of State Regulatory Authorities and Registered Agents in States
Exhibit H	Statement of Franchisee

ITEM 23. RECEIPT

Please see the last page of this Disclosure Document. It is a detachable document acknowledging receipt of the Disclosure Document. If this page or any other pages or exhibits are missing from your copy, please contact us at this address or phone number:

Environment Control
Attn: Jeff LaBenne
6485~~6525~~ North Mineral Drive
Coeur d'Alene, ID 83815
(208) 772-8200, Ext. 148

EXHIBIT A TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

ENVIRONMENTCONTROL
A BUILDING SERVICE COMPANY

CONSENT

Susan Bullard, in my capacity as Chief Financial Officer, consent to the use in the Franchise Disclosure Document issued by Environment Control Building Maintenance Company ("Franchisor") on July 19, 2024, as it may be amended, of our Balance Sheet and Income Statement of Franchisor for the two months ended May 31, 2024.

Best regards,

Susan Bullard
Chief Financial Officer

6525 North Mineral Drive
Coeur d'Alene, Idaho
83815

Tel: 208-772-8200
Fax: 208-772-6045

ENVIRONMENTCONTROL.COM

MAGNUSON McHUGH DOUGHERTY
CERTIFIED PUBLIC ACCOUNTANTS

July 1, 2024

Environment Control Building Maintenance Company
6525 North Mineral Drive
Coeur d'Alene, ID 83815-8788

CONSENT

Magnuson, McHugh, Dougherty CPAs consents to the use in the Franchise Disclosure Document issued by Environment Control Building Maintenance Company ("Franchisor") on July 19, 2024, as it may be amended, of our reports dated June 27, 2022, June 19, 2023 and June 19, 2024, relating to the financial statements of Franchisor for the fiscal years ending March 31, 2022, March 31, 2023, and March 31, 2024.

Sincerely,

Michelle S. Haneline

Michelle Schini Haneline, CPA

Magnuson, McHugh, Dougherty CPAs

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814

www.MMD.cpa
Office: 208-765-9500 Fax: 208-667-9174

ENVIRONMENTCONTROL
A BUILDING SERVICE COMPANY

CONSENT

Susan Bullard, in my capacity as Chief Financial Officer, consent to the use in the Franchise Disclosure Document issued by Environment Control Building Maintenance Company ("Franchisor") on July 19, 2024, as it may be amended, of our Balance Sheet and Income Statement of Franchisor for the two months ended May 31, 2024.

These financial statements are prepared without an audit. Prospective Franchisees or sellers of franchises should be advised that no Certified Public Accountant has audited these figures or expressed his/her opinion with regard to the content or form.

Best regards,

Susan Bullard
Chief Financial Officer

6525 North Mineral Drive
Coeur d'Alene, Idaho
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ENVIRONMENTCONTROL.COM

Environment Control Building Maintenance Company
Balance Sheet
May 31, 2024
(Internally Generated Financial Statements)

Current Assets:		
Cash	$	1,407,201
Receivables		463,577
Royalties receivable		507,664
Inventories		116,112
Prepaid expenses		182,029
Total current assets	$	2,676,583
Equipment and leasehold improvements:		
Equipment and furniture	$	1,788,763
Right of Use Asset (Lease)		948,855.00
Leasehold improvements		1,294,939
		4,032,557
Less accumulated depreciation		(1,772,001)
Total equipment and leasehold impvts	$	2,260,556
Other assets:		
Deferred income taxes	$	64,060
Franchise Loan	$	27,953
Restricted cash		211,683
Deposits		63,576
Total other assets	$	367,272
Total assets	$	5,304,411

Environment Control Building Maintenance Company
Balance Sheet
May 31, 2024
(Internally Generated Financial Statements)

Current Liabilities:		
Current portion of notes and loans	$	377,017
Commission payable		12,000
Taxes payable		54,859
Accrued liabilities		733,717
Total current liabilities	$	1,177,593
Long-term liabilities:		
Deferred Income Tax Liability	$	228,604
Accrued Vacation		255,241
Long term accruals		605,014
Long term portion of notes and loans		597,329
Total long-term liabilities	$	1,686,188
Total liabilities	$	2,863,781
Stockholder's equity:		
Common stock	$	25,000
Retained earnings, beginning		1,991,056
Year-to-date earnings		424,574
Total stockholders equity	$	2,440,630
Total liabilities and stockholder's equity	$	5,304,411

Environment Control Building Maintenance Company
Statement of Income
For the two months ended May 31, 2024
(Internally Generated Financial Statements)

Income:		
Royalty income	$	951,186
Services provided for franchises		839,295
Sales of supplies and equipment		4,536
Consulting and special services		3,782
Total Income	$	1,798,799
Expenses:		
Salaries, wages, and benefits		1,070,047
General and administrative expenses		237,374
Supplies and Materials		10,082
Commission		31,000
Depreciation		29,813
Total expenses	$	1,378,316
Operating income	$	420,483
Other income (expenses):		
Interest and dividend income	$	4,431
Interest expense		(340)
Gain (loss) on disposal of asset		-
Total other income (expenses)	$	4,091
Income (loss) before income taxes		424,574
Income tax benefit (provision)		-
Net income (loss)	$	424,574

ENVIRONMENT CONTROL BUILDING MAINTENANCE COMPANY AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Environment Control Building Maintenance Company and Subsidiary

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March 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Environment Control Building Maintenance Company and Subsidiary
Hayden, ID 83835

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Environment Control Building Maintenance Company and its wholly owned subsidiary, which comprise the consolidated balance sheets as of March 31, 2024 and 2023, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Environment Control Building Maintenance Company and its wholly owned subsidiary as of March 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Environment Control Building Maintenance Company and its wholly owned subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

Coeur d'Alene, ID

June 19, 2024

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Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED BALANCE SHEETS
March 31, 2024 and 2023

ASSETS

	2024	2023
Current assets:		
Cash	$ 1,311,898	$ 1,223,953
Receivables:		
Trade accounts, net of allowance for doubtful accounts of $1,000 for 2024 and 2023	759,161	521,794
Royalties	493,711	445,134
Notes and loans receivable, current portion	14,262	-
Employee advances	203,050	-
Inventories	121,946	106,049
Prepaid expenses	205,755	104,698
Total current assets	3,109,783	2,401,628
Equipment and leasehold improvements:		
Equipment and furniture	2,002,075	1,508,814
Leasehold improvements	1,294,939	879,052
	3,297,014	2,387,866
Less accumulated depreciation	(1,850,297)	(1,667,738)
Total equipment and leasehold improvements	1,446,717	720,128
Other assets:		
Restricted cash	211,668	239,289
Notes and loans receivable, net of current portion	30,290	200,000
Deposits	40,886	40,976
Investment with captive insurance company	17,533	15,792
Right-of-use asset - operating leases	948,855	1,301,580
Deferred tax asset	64,060	59,480
Total other assets	1,313,292	1,857,117
Total assets	$ 5,869,792	$ 4,978,873

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED BALANCE SHEETS
March 31, 2024 and 2023

LIABILITIES AND STOCKHOLDER'S EQUITY

	2024	2023
Current liabilities:		
Accounts payable	$ 1,124,181	$ 597,306
Commissions payable	20,342	18,964
Sales and income taxes payable	39,279	133,023
Accrued liabilities	772,231	532,803
Current portion of notes and loans payable	55,869	53,672
Current portion of lease liability - operating leases	358,853	352,725
Line of credit	-	400,000
Total current liabilities	2,370,755	2,088,493
Long-term liabilities:		
Insurance reserve	209,576	237,196
Notes and loans payable, net of current portion	111,252	69,380
Lease liability - operating leases, net of current portion	590,002	948,855
Deferred tax liability	228,604	56,788
Total long-term liabilities	1,139,434	1,312,219
Total liabilities	3,510,189	3,400,712
Stockholder's equity:		
Common stock, $100 par value, 2,000 shares authorized, 250 shares issued and outstanding	25,000	25,000
Retained earnings	2,334,603	1,553,161
Total stockholder's equity	2,359,603	1,578,161
Total liabilities and stockholder's equity	$ 5,869,792	$ 4,978,873

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the Years Ended March 31, 2024 and 2023

	2024		2023	
	Amount	Percent of Sales	Amount	Percent of Sales
INCOME:				
Royalty income	$ 5,296,930	45.6%	$ 5,055,324	49.1%
Restoration services income	1,323,816	11.4%	755,889	7.3%
Services provided for franchises	4,534,447	39.1%	4,045,843	39.3%
Sales of supplies and equipment	123,782	1.1%	90,357	0.9%
Consulting and special services	332,714	2.9%	346,836	3.4%
Rental income	-	0.0%	2,400	0.0%
Total income	11,611,689	100.0%	10,296,649	100.0%
EXPENSES:				
Salaries, wages, and benefits	7,998,793	68.9%	7,539,404	73.2%
General and administrative expenses	1,716,332	14.8%	1,521,472	14.8%
Cost of sales of supplies and equipment	486,568	4.2%	290,984	2.8%
Commissions	234,429	2.0%	176,437	1.7%
Depreciation	182,559	1.6%	171,845	1.7%
Interest expense	16,760	0.1%	14,625	0.1%
Total expenses	10,635,441	91.6%	9,714,767	94.3%
OPERATING INCOME	976,248	8.4%	581,882	5.7%
OTHER INCOME (EXPENSE):				
Interest income	52,321	0.5%	11,313	0.1%
Total other income (expense)	52,321	0.5%	11,313	0.1%
INCOME BEFORE INCOME TAXES	1,028,569	8.9%	593,195	5.8%
INCOME TAX (PROVISION)	(247,127)	-2.1%	(174,569)	-1.7%
NET INCOME	781,442	6.7%	418,626	4.1%
RETAINED EARNINGS, beginning of year	1,553,161		1,134,535	
RETAINED EARNINGS, end of year	$ 2,334,603		$ 1,553,161	

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 781,442	$ 418,626
Adjustments to reconcile net income to		
net cash provided (used) by operating activities:		
Depreciation	182,559	171,845
Change in deferred income taxes	167,236	(21,655)
Operating lease reduction of right-of-use asset	352,725	343,753
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(133,112)	(207,207)
(Increase) decrease in employee advances	(200,434)	-
(Increase) decrease in inventories	(15,897)	148
(Increase) decrease in prepaid expenses	(102,708)	(13,988)
Increase (decrease) in accounts payable	526,875	(19,578)
Increase (decrease) in accrued expenses	147,062	207,088
Increase (decrease) in lease liability - operating leases	(352,725)	(343,753)
Net cash provided (used) by operating activities	1,353,023	535,279
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net insurance reserves	1	(345)
Acquisition of fixed assets	(798,971)	(38,840)
Net cash provided (used) by investing activities	(798,970)	(39,185)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new debt	-	400,000
Payments on notes and loans payable	(466,108)	(631,017)
Net cash provided (used) by financing activities	(466,108)	(231,017)
NET INCREASE (DECREASE) IN CASH	87,945	265,077
CASH, beginning of year	1,223,953	958,876
CASH, end of year	$ 1,311,898	$ 1,223,953
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 16,760	$ 14,625
Income taxes paid	$ 225,347	$ 77,924
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Equipment purchased with debt financing	$ 110,177	$ -
Equipment purchased with capital lease financing	$ -	$ 65,449

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Principles of Consolidation – The consolidated financial statements include Environment Control Building Maintenance Company and its wholly owned subsidiary, Environment Control Restoration Services, Inc., together referred to as ("the Company"). Intercompany transactions and balances are eliminated in consolidation.

Environment Control Building Maintenance Company was organized in 1970 to provide building maintenance and janitorial services and, in connection therewith, to conduct the franchising of building maintenance services to franchisees throughout the United States.

Environment Control Restoration Services, Inc., was organized in 2019 to expand the Company's service offerings to include restoration and cleaning services.

Revenue Recognition – The Company derives its income from the initial sale of franchises, continued services provided, sales of supplies and equipment, and royalties.

Franchise fees from the initial sale of franchises are recognized when the franchises are sold.

Continued service revenues and royalty income are recognized monthly as billed. Sales of supplies and equipment are recognized upon shipment to the franchises.

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

Cash Equivalents – For the purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The amount does not include restricted cash amounts.

Inventories – Inventories are valued at the lower of cost or net realizable value, using the first-in, first-out method. Inventories consist of cleaning products and equipment, office supplies, and brochures.

Trade Accounts Receivable – Trade accounts receivables are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for trade accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Equipment and Leasehold Improvements – For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 2 to 27 years. Leasehold improvements are amortized over the lesser of the life of the asset or the remaining term of the rental agreement.

The cost of maintenance and repairs is charged to expense as incurred. Betterments that materially increase property useful lives are capitalized. When an asset is retired, the cost and related accumulated depreciation are removed from the account and any gain or loss is reflected in the statement of operations.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Insurance Reserve – The Company has an arrangement with the franchising companies whereby they purchased workers' compensation and general liability insurance for a group rate. The restricted cash and corresponding insurance reserve represent the amounts received from the franchising companies, net of disbursed amounts as of the end of the fiscal year.

Commissions Payable – Commissions payable represent amounts due to franchise managers and others based on a formula of royalties received by the Company.

Non-refundable Prepayments and Deposits – In accordance with ASC 340-10 regarding non-refundable prepayments and deposits, the Company expenses those costs when the obligation is incurred.

Comparative Data/Reclassifications – Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Advertising – The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended March 31, 2024 and 2023, were $102,499 and $44,784, respectively.

Income Taxes – Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statements and income tax purposes. The differences relate primarily to the effect of net operating loss carryovers, depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes), allowance for doubtful receivables (deductible for financial statement purposes but not for income tax purposes), and certain accrued liabilities (deductible for financial statement purposes but not for income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, which prescribed a comprehensive model for how a company should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company adopted FIN 48 as of April 1, 2009, and, thereafter, recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Tax years still open for examination are fiscal years ended March 31, 2022, through March 31, 2024.

Leases – Effective April 1, 2022, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02, Leases (Topic 842), to account for operating and financing leases with a duration greater than one year.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Leases (Concluded) – The Company elected the short-term lease expedient. A short-term lease is a lease that, as of the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For such leases, the Company does not apply the recognition requirements of Topic 842 and instead recognizes the lease payments as lease cost on a straight-line basis over the lease term.

The Company's lease arrangements may contain both lease and non-lease components. The Company has elected to combine and account for lease and non-lease components as a single lease component for its leases.

The Company is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot readily be determined, the Company has opted to utilize the risk-free U.S. government bond rate in considering its monthly payment amounts and the initial terms of its leases.

Reclassifications – Prior year balances have been reclassified in conformity with the current year for the purposes of presenting the Company's financial statements on a comparative basis.

New Accounting Pronouncements – In June 2016, the FASB issued ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326),* which requires a financial asset measured at amortized cost basis be presented at the net amount expected to be collected. ASU 2016-13 replaces the current methodology which includes multiple credit impairment objectives for these financial assets, and will result in more timely recognition of credit losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, and interim periods within those years. ASU 2016-13 requires a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard did not have a material effect on the Company's financial statements.

NOTE 2: NOTES AND LOANS RECEIVABLE FROM FRANCHISEES

In certain circumstances, the Company makes loans to franchisees to help finance a portion of the cost of buying a franchise. Notes and loans receivable consist of several notes receivable from various franchisees. All such notes receivable are secured by franchise interests, and are payable in principal and interest installments, as defined by the agreements. There was one franchise note and loan receivable outstanding as of March 31, 2024 in the amount of $44,552 and bearing an interest rate of 4.0%. There were zero franchise notes and loans receivable outstanding as of 2023.

NOTE 3: DEPOSITS

Deposits at March 31, 2024 and 2023 represent primarily rent deposits paid to the majority stockholder on a building built to the Company's specifications.

(Continued)

NOTE 4: RETIREMENT PLANS

The Company has a 401(k) money-purchase retirement plan. The plan covers all employees who have attained the age of twenty-one and have completed 1,000 hours of service. Employer contributions made to the plan for the fiscal years ended March 31, 2024 and 2023, were $104,342 and $101,190, respectively.

NOTE 5: INVESTMENT IN CAPTIVE INSURANCE COMPANY

The Company has an investment in a captive insurance holding company, entitled Columbus Insurance Ltd. Columbus Insurance Ltd. is licensed and managed in the Cayman Islands to reinsure risks from the issuing insurance company, which is licensed and provides coverage in the United States. The types of coverage underwritten by Columbus are workers' compensation, automobile liability, automobile physical damage, and general liability. Each Shareholder, regardless of premium size, has one vote. A simple majority by the Board of Directors governs. The Company follows a three-year accounting cycle. Each year will stand-alone and will not be closed until the end of the third year after the policy year-end or as determined by the Board of Directors. Columbus reinsures workers' compensation, general liability, auto liability and auto physical damage insurance policies issued by a domestic policy issuing company. Reinsurance is in place to protect the captive for both specific excess and aggregate losses above designated levels. The participating members own the captive. Each captive member provides $36,000 initial capitalization as they join the program.

Columbus reinsures the policy issuing company up to the captive's specific retention of $500,000 for every loss, subject to an annual aggregate stop loss. The captive is structured as a member-owned group captive such that each member is responsible for a significant portion of its own loss activity. Each member's loss funds are divided into an "A" fund and "B" fund. The "A" fund pays for losses from $0 to $150,000 and the "B" fund pays for losses from $150,001 to $500,000. Each member is subject to assessment for its losses which exceed its initial "A" fund up to an additional one and one-half "A" fund amount, and therefore must provide a proportionate amount of collateral to the captive as a condition of membership to ensure that any such assessment can be properly funded. The captive's total losses within the retention are subject to a stop loss equal to two times the total "A" fund plus the total "B" fund for all members.

The carrying amount of the investment in the captive insurance company was $17,533 and $15,792 as of March 31, 2024 and 2023, respectively.

NOTE 6: NOTES AND LOANS PAYABLE

The Company has available a revolving line of credit from Chase Bank. Under the agreement, the Company can borrow up to $500,000 at an interest rate of 1.9% over the LIBOR rate collateralized by all inventory and equipment. As of March 31, 2024 and 2023, the Company had outstanding borrowing of $0 and $400,000, respectively.

(Continued)

NOTE 6: NOTES AND LOANS PAYABLE (CONCLUDED)

Notes and loans payable at March 31, 2024 and 2023 consisted of the following:

	2024	2023
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $1,437.05 at 4.75% interest.	$ -	$ 6,108
Auto loan payable to Idaho Central Credit Union secured by vehicle, due in 60 monthly installments of $994.68 at 6.09% interest.	-	9,663
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $850.88 at 4.31% interest.	7,457	17,119
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $954.97 at 4.82% interest.	21,316	31,482
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $387.52 at 6.093% interest.	2,644	6,989
Auto loan payable to Ford Credit secured by vehicle, due in 48 monthly installments of $1,292.69 at 2.90% interest.	37,456	51,691
Auto loan payable to Ford Motor Credit Company secured by vehicle, due in 60 monthly installments of $982.48 at 3.964% interest.	47,088	-
Auto loan payable to Potlatch No. 1 Financial Credit Union secured by vehicle, due in 60 monthly installments of $1,110.70 at 6.375% interest.	51,160	-
Total	167,121	123,052
Less current portion	(55,869)	(53,672)
Long-term portion of notes payable	$ 111,252	$ 69,380

Maturities on notes and loans payable for the year ending March 31, 2024, are as follows:

2025	$ 55,869
2026	47,195
2027	30,500
2028	23,903
2029	9,654
Total	$ 167,121

(Continued)

NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES

Most agreements between the Company and its franchisees contain a provision that requires the Company to guarantee that a specific dollar amount in sales will be achieved within a given time schedule. If these sales amounts are not met, the franchisee has the option to rescind the agreement. It is management's opinion that any rescissions of prior franchise sales will not materially affect the financial position of the Company.

NOTE 8: INCOME TAXES

The provisions (benefits) for income taxes for the years ended March 31, 2024 and 2023 are as follows:

	2024	2023
Current:		
Federal	$ 88,575	$ 135,000
State	(8,684)	61,224
Total	79,891	196,224
Deferred:		
Federal	100,342	(12,993)
State	66,894	(8,662)
Total	167,236	(21,655)
Total (benefit) provision	$ 247,127	$ 174,569

The provision is different from the tax calculated at statutory rates due to permanent timing differences between net income as calculated for financial statement and income tax purposes.

Deferred tax assets and liabilities are comprised of the following:

	2024	2023
Deferred non-current:		
Asset:		
Federal	$ 38,436	$ 35,688
State	25,624	23,792
Net non-current deferred tax asset	$ 64,060	$ 59,480
Deferred non-current:		
Liability:		
Federal	$ (137,163)	$ (34,073)
State	(91,441)	(22,715)
Net non-current deferred tax liability	$ (228,604)	$ (56,788)

(Continued)

NOTE 9: LEASES

Short-Term Leases (Lessee)

During 2019, the Company entered into a lease agreement for a storage unit in Coeur d'Alene, Idaho. The lease agreement is month to month with payments of $290 per month and is classified as a short-term lease. For the years ended March 31, 2024 and 2023, the Company recorded payments of $1,591 and $4,015.

During 2021, the Company entered into a lease agreement for a storage unit in Coeur d'Alene, Idaho. The lease agreement is month to month with payments of $180 per month and is classified as a short-term lease. For the years ended March 31, 2024 and 2023, the Company recorded payments of $2,160 and $2,160.

Short-Term Leases (Lessor)

During 2014, the Company entered into a lease agreement with Grace Upon Grace Foundation to lease office space in the Company's main office building. The lease agreement is a month-to-month agreement in the amount of $200 per month when Bible study class is not in session and $500 per month when Bible study class is in session. The lease is classified as a short-term lease. For the years ended March 31, 2024 and 2023, the Company received payments of $2,400 and $2,400.

Operating Leases (Lessee)

During 1998, the Company entered into a lease agreement for office space in a commercial building located in Coeur d'Alene, Idaho. The lease agreement was renewed in 2017 with a 5-year lease term and payments of $28,405 per month. On January 1, 2022, this lease agreement was renewed with another 5-year lease term and payments of $28,405 per month. The lease contains two additional renewal options that the Company does not anticipate to renew. The lease is classified as an operating lease based on an analysis that utilized a discount rate of 2.61%, which is the risk-free U.S. government bond rate over a similar term of the lease payments at the commencement date. For the years ended March 31, 2024 and 2023, the Company recorded operating lease expense of $340,860 and $340,860. The remaining lease term is approximately 3 years.

During 2000, the Company entered into a lease agreement for undeveloped real estate on Mineral Drive in Coeur d'Alene, Idaho. The lease agreement has a period of 25 years, ending on March 1, 2025, with payments of $3,000 per month to maintain first development rights to the land. The lease is classified as an operating lease based on an analysis that utilized a discount rate of 2.61%, which is the risk-free U.S. government bond rate over a similar term of the lease payments at the commencement date. For the years ended March 31, 2024 and 2023, the Company recorded operating lease expense of $36,000 and $36,000. The remaining lease term is approximately 1 year.

(Continued)

NOTE 9: LEASES (CONCLUDED)

Lease related costs recognized in the Statement of Cash Flows for the years ended March 31, 2024 and 2023, are as follows:

	Year Ended March 31, 2024	Year Ended March 31, 2023
Operating lease cost		
Operating lease cost	$ 376,860	$ 376,860
Total operating lease cost	$ 376,860	$ 376,860

Other information related to leases included on the Balance Sheets as of and for the years then ended March 31, 2024 and 2023, is as follows:

	Year Ended March 31, 2024 Operating Leases	Year Ended March 31, 2023 Operating Leases
Right-of-use assets	$ 948,855	$ 1,301,580
Lease liabilities	$ 948,855	$ 1,301,580
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows - right-of-use lease asset	$ 352,725	$ 343,753
Right-of-use assets obtained in exchange for lease liabilities	$ -	$ 1,645,333
Weighted average remaining lease term in years	3.65	4.60
Weighted average discount rate	2.610%	2.610%

Future minimum lease payments under non-cancellable operating leases as of March 31, 2024, are as follows:

	Building and Land		
For the year ended,	Principal	Interest	Total
2025	$ 358,853	$ 15,007	$ 373,860
2026	334,357	6,503	340,860
2027	255,645	-	255,645
	$ 948,855	$ 21,510	$ 970,365

(Continued)

NOTE 10: RELATED PARTY TRANSACTIONS

The Company leases its operating building from Kraft Silver Park 3, LLC. This LLC is owned by the sole shareholders' family trust (90%) and a past board member/employee (10%) of the corporation. During each of fiscal years 2024 and 2023, lease payments totaled $340,860. The Company has paid a rental deposit to the shareholder, which is disclosed in Note 3.

The Company leases real property from Kraft Silver Park 2, LLC. The LLC is owned by the sole shareholders. During each of fiscal years 2024 and 2023, lease payments totaled $36,000.

The shareholder has guaranteed the Company's lines of credit and certain loans as noted in Note 6.

The Company issued a pay advance in the amount of $200,400 to a related party during the year ended March 31, 2024.

NOTE 11: MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 19, 2024, which is the date the financial statements were available to be issued.

(Concluded)

Environment Control Building Maintenance Company and Subsidiary

Consolidated Financial Statements
March 31, 2023 and 2022

Environment Control Building Maintenance Company and Subsidiary

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March 31, 2023 and 2022

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MAGNUSON · McHUGH · DOUGHERTY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Environment Control Building Maintenance Company and Subsidiary
Hayden, ID 83835

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Environment Control Building Maintenance Company and its wholly owned subsidiary, which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Environment Control Building Maintenance Company and its wholly owned subsidiary as of March 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Environment Control Building Maintenance Company and its wholly owned subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Environment Control Building Maintenance Company and its wholly owned subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Environment Control Building Maintenance Company and its wholly owned subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

Coeur d'Alene, ID

June 19, 2023

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Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED BALANCE SHEETS
March 31, 2023 and 2022

ASSETS

	2023	2022
Current assets:		
Cash	$ 1,223,953	$ 958,876
Receivables:		
Trade accounts, net of allowance for doubtful accounts of $1,000 for 2023 and 2022	521,794	511,880
Royalties	445,134	447,841
Inventories	106,049	106,197
Prepaid expenses	104,698	90,710
Total current assets	2,401,628	2,115,504
Equipment and leasehold improvements:		
Equipment and furniture	1,508,814	1,404,525
Leasehold improvements	879,052	879,052
	2,387,866	2,283,577
Less accumulated depreciation	(1,667,738)	(1,495,893)
Total equipment and leasehold improvements	720,128	787,684
Other assets:		
Restricted cash	239,289	246,686
Notes and loans receivable	200,000	-
Deposits	40,976	40,976
Investment with captive insurance company	15,792	15,792
Right-of-use asset - operating leases	1,301,580	-
Deferred tax asset	59,480	56,758
Total other assets	1,857,117	360,212
Total assets	$ 4,978,873	$ 3,263,400

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED BALANCE SHEETS
March 31, 2023 and 2022

LIABILITIES AND STOCKHOLDER'S EQUITY

	2023	2022
Current liabilities:		
Accounts payable	$ 597,306	$ 616,884
Commissions payable	18,964	25,846
Sales and income taxes payable	133,023	7,056
Accrued liabilities	532,803	444,800
Current portion of notes and loans payable	53,672	117,183
Current portion of lease liability - operating leases	352,725	-
Line of credit	400,000	500,000
Total current liabilities	2,088,493	1,711,769
Long-term liabilities:		
Insurance reserve	237,196	244,938
Notes and loans payable, net of current portion	69,380	71,437
Lease liability - operating leases, net of current portion	948,855	-
Deferred tax liability	56,788	75,721
Total long-term liabilities	1,312,219	392,096
Total liabilities	3,400,712	2,103,865
Stockholder's equity:		
Common stock, $100 par value, 2,000 shares authorized, 250 shares issued and outstanding	25,000	25,000
Retained earnings	1,553,161	1,134,535
Total stockholder's equity	1,578,161	1,159,535
Total liabilities and stockholder's equity	$ 4,978,873	$ 3,263,400

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the Years Ended March 31, 2023 and 2022

	2023		2022	
	Amount	Percent of Sales	Amount	Percent of Sales
INCOME:				
Royalty income	$ 5,055,324	49.1%	$ 5,223,411	55.5%
Restoration services income	755,889	7.3%	220,920	2.4%
Services provided for franchises	4,045,843	39.3%	3,555,590	37.8%
Sales of supplies and equipment	90,357	0.9%	96,057	1.0%
Consulting and special services	346,836	3.4%	309,578	3.3%
Rental income	2,400	0.0%	2,400	0.0%
Total income	10,296,649	100.0%	9,407,956	100.0%
EXPENSES:				
Salaries, wages, and benefits	7,539,404	73.2%	6,820,265	72.5%
General and administrative expenses	1,521,472	14.8%	1,464,768	15.6%
Cost of sales of supplies and equipment	290,984	2.8%	132,923	1.4%
Commissions	176,437	1.7%	565,869	6.0%
Depreciation	171,845	1.7%	169,676	1.8%
Interest expense	14,625	0.1%	11,349	0.1%
Total expenses	9,714,767	94.3%	9,164,850	97.4%
OPERATING INCOME	581,882	5.7%	243,106	2.6%
OTHER INCOME (EXPENSE):				
Interest income	11,313	0.1%	2,046	0.0%
Gain (loss) on disposal of equipment	-	-	(1,401)	0.0%
Total other income (expense)	11,313	0.1%	645	0.0%
INCOME BEFORE INCOME TAXES	593,195	5.8%	243,751	2.6%
INCOME TAX (PROVISION)	(174,569)	-1.7%	(78,059)	-0.8%
NET INCOME	418,626	4.1%	165,692	1.8%
RETAINED EARNINGS, beginning of year	1,134,535		968,843	
RETAINED EARNINGS, end of year	$ 1,553,161		$ 1,134,535	

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 418,626	$ 165,692
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	171,845	169,676
Loss on disposal of equipment	-	1,401
Change in deferred income taxes	(21,655)	(4,984)
Operating lease reduction of right-of-use asset	343,753	-
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(207,207)	(9,918)
(Increase) decrease in employee advances	-	110
(Increase) decrease in inventories	148	(23,535)
(Increase) decrease in prepaid expenses	(13,988)	(22,501)
Increase (decrease) in accounts payable	(19,578)	(353,903)
Increase (decrease) in accrued expenses	207,088	(389,301)
Increase (decrease) in lease liability - operating leases	(343,753)	-
Net cash provided (used) by operating activities	535,279	(467,263)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net insurance reserves	(345)	(1,748)
Acquisition of fixed assets	(38,840)	(57,232)
Net cash provided (used) by investing activities	(39,185)	(58,980)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new debt	400,000	500,000
Payments on notes and loans payable	(631,017)	(148,053)
Net cash provided (used) by financing activities	(231,017)	351,947
NET INCREASE (DECREASE) IN CASH	265,077	(174,296)
CASH, beginning of year	958,876	1,133,172
CASH, end of year	$ 1,223,953	$ 958,876
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 14,625	$ 11,349
Income taxes paid	$ 77,924	$ 322,182
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Equipment purchased with capital lease financing	$ 65,449	$ -

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Principles of Consolidation – The consolidated financial statements include Environment Control Building Maintenance Company and its wholly owned subsidiary, Environment Control Restoration Services, Inc., together referred to as ("the Company"). Intercompany transactions and balances are eliminated in consolidation.

Environment Control Building Maintenance Company was organized in 1970 to provide building maintenance and janitorial services and, in connection therewith, to conduct the franchising of building maintenance services to franchisees throughout the United States.

Environment Control Restoration Services, Inc., was organized in 2019 to expand the Company's service offerings to include restoration and cleaning services.

Revenue Recognition – The Company derives its income from the initial sale of franchises, continued services provided, sales of supplies and equipment, and royalties.

Franchise fees from the initial sale of franchises are recognized when the franchises are sold.

Continued service revenues and royalty income are recognized monthly as billed. Sales of supplies and equipment are recognized upon shipment to the franchises.

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

Cash Equivalents – For the purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The amount does not include restricted cash amounts.

Inventories – Inventories are valued at the lower of cost or net realizable value, using the first-in, first-out method. Inventories consist of cleaning products and equipment, office supplies, and brochures.

Trade Accounts Receivable – Trade accounts receivables are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for trade accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Equipment and Leasehold Improvements – For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 2 to 27 years. Leasehold improvements are amortized over the lesser of the life of the asset or the remaining term of the rental agreement.

The cost of maintenance and repairs is charged to expense as incurred. Betterments that materially increase property useful lives are capitalized. When an asset is retired, the cost and related accumulated depreciation are removed from the account and any gain or loss is reflected in the statement of operations.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Insurance Reserve – The Company has an arrangement with the franchising companies whereby they purchased workers' compensation and general liability insurance for a group rate. The restricted cash and corresponding insurance reserve represent the amounts received from the franchising companies, net of disbursed amounts as of the end of the fiscal year.

Commissions Payable – Commissions payable represent amounts due to franchise managers and others based on a formula of royalties received by the Company.

Non-refundable Prepayments and Deposits – In accordance with ASC 340-10 regarding non-refundable prepayments and deposits, the Company expenses those costs when the obligation is incurred.

Comparative Data/Reclassifications – Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Advertising – The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended March 31, 2023 and 2022, were $44,784 and $2,101, respectively.

Income Taxes – Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statements and income tax purposes. The differences relate primarily to the effect of net operating loss carryovers, depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes), allowance for doubtful receivables (deductible for financial statement purposes but not for income tax purposes), and certain accrued liabilities (deductible for financial statement purposes but not for income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, which prescribed a comprehensive model for how a company should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company adopted FIN 48 as of April 1, 2009, and, thereafter, recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Tax years still open for examination are fiscal years ended March 31, 2021, through March 31, 2023.

Adoption of Recent Accounting Pronouncements – Effective April 1, 2022, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02, Leases (Topic 842), to account for operating and financing leases with a duration greater than one year, using the optional transition method that allows the Company to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. As a result, the Company reporting for the comparative period presented in the financial statements is in accordance with Topic 842.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Adoption of Recent Accounting Pronouncements (Concluded) – The Company has elected the short-term lease expedient. A short-term lease is a lease that, as of the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For such leases, the Company will not apply the recognition requirements of Topic 842 and instead will recognize the lease payments as lease cost on a straight-line basis over the lease term.

The Company's lease arrangements may contain both lease and non-lease components. The Company has elected to combine and account for lease and non-lease components as a single lease component for its leases.

The Company is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot readily be determined, the Company has opted to utilize the risk-free U.S. government bond rate in considering its monthly payment amounts and the initial terms of its leases.

Reclassifications – Prior year balances have been reclassified in conformity with the current year for the purposes of presenting the Company's financial statements on a comparative basis.

NOTE 2: NOTES AND LOANS RECEIVABLE FROM FRANCHISEES

In certain circumstances, the Company makes loans to franchisees to help finance a portion of the cost of buying a franchise. Notes and loans receivable consist of several notes receivable from various franchisees. All such notes receivable are secured by franchise interests, bearing an interest rate of zero to 9.75% and are payable in principal and interest installments, as defined by the agreements. There were no franchise notes and loans receivable outstanding as of March 31, 2023 and 2022.

NOTE 3: DEPOSITS

Deposits at March 31, 2023 and 2022 represent primarily rent deposits paid to the majority stockholder on a building built to the Company's specifications.

NOTE 4: RETIREMENT PLANS

The Company has a 401(k) money-purchase retirement plan. The plan covers all employees who have attained the age of twenty-one and have completed 1,000 hours of service. Employer contributions made to the plan for the fiscal years ended March 31, 2023 and 2022, were $101,190 and $98,375, respectively.

(Continued)

NOTE 5: INVESTMENT IN CAPTIVE INSURANCE COMPANY

The Company has an investment in a captive insurance holding company, entitled Columbus Insurance Ltd. Columbus Insurance Ltd. is licensed and managed in the Cayman Islands to reinsure risks from the issuing insurance company, which is licensed and provides coverage in the United States. The types of coverage underwritten by Columbus are workers' compensation, automobile liability, automobile physical damage, and general liability. Each Shareholder, regardless of premium size, has one vote. A simple majority by the Board of Directors governs. The Company follows a three-year accounting cycle. Each year will stand-alone and will not be closed until the end of the third year after the policy year-end or as determined by the Board of Directors. Columbus reinsures workers' compensation, general liability, auto liability and auto physical damage insurance policies issued by a domestic policy issuing company. Reinsurance is in place to protect the captive for both specific excess and aggregate losses above designated levels. The participating members own the captive. Each captive member provides $36,000 initial capitalization as they join the program.

Columbus reinsures the policy issuing company up to the captive's specific retention of $500,000 for every loss, subject to an annual aggregate stop loss. The captive is structured as a member-owned group captive such that each member is responsible for a significant portion of its own loss activity. Each member's loss funds are divided into an "A" fund and "B" fund. The "A" fund pays for losses from $0 to $150,000 and the "B" fund pays for losses from $150,001 to $500,000. Each member is subject to assessment for its losses which exceed its initial "A" fund up to an additional one and one-half "A" fund amount, and therefore must provide a proportionate amount of collateral to the captive as a condition of membership to ensure that any such assessment can be properly funded. The captive's total losses within the retention are subject to a stop loss equal to two times the total "A" fund plus the total "B" fund for all members.

The carrying amount of the investment in the captive insurance company was $15,792 and $15,792 as of March 31, 2023 and 2022, respectively.

NOTE 6: NOTES AND LOANS PAYABLE

The Company has available a revolving line of credit from Chase Bank. Under the agreement, the Company can borrow up to $500,000 at an interest rate of 1.9% over the LIBOR rate collateralized by all inventory and equipment. As of March 31, 2023 and 2022, the Company had outstanding borrowing of $400,000 and $500,000, respectively.

(Continued)

NOTE 6: NOTES AND LOANS PAYABLE (CONCLUDED)

Notes and loans payable at March 31, 2023 and 2022 consisted of the following:

	2023	2022
Construction loan payable to Bank of America, guaranteed by the shareholder, due in monthly installments of $8,333.33 plus variable interest based on the LIBOR Daily Floating Rate.	$ -	$ 66,667
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $1,437.05 at 4.75% interest.	6,108	22,171
Auto loan payable to Idaho Central Credit Union secured by vehicle, due in 60 monthly installments of $994.68 at 6.09% interest.	9,663	20,640
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $850.88 at 4.31% interest.	17,119	26,391
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $954.97 at 4.82% interest.	31,482	41,662
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $387.52 at 6.093% interest.	6,989	11,089
Auto loan payable to Ford Credit secured by vehicle, due in 48 monthly installments of $1,292.69 at 2.90% interest.	51,691	-
Total	123,052	188,620
Less current portion	(53,672)	(117,183)
Long-term portion of notes payable	$ 69,380	$ 71,437

Maturities on notes and loans payable for the year ending March 31, 2023, are as follows:

2024	$ 53,672
2025	35,414
2026	26,101
2027	7,865
Total	$ 123,052

(Continued)

NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES

Most agreements between the Company and its franchisees contain a provision that requires the Company to guarantee that a specific dollar amount in sales will be achieved within a given time schedule. If these sales amounts are not met, the franchisee has the option to rescind the agreement. It is management's opinion that any rescissions of prior franchise sales will not materially affect the financial position of the Company.

NOTE 8: INCOME TAXES

The provisions (benefits) for income taxes for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022
Current:		
Federal	$ 135,000	$ 61,641
State	61,224	21,402
Total	196,224	83,043
Deferred:		
Federal	(12,993)	(2,990)
State	(8,662)	(1,994)
Total	(21,655)	(4,984)
Total (benefit) provision	$ 174,569	$ 78,059

The provision is different from the tax calculated at statutory rates due to permanent timing differences between net income as calculated for financial statement and income tax purposes.

Deferred tax assets and liabilities are comprised of the following:

	2023	2022
Deferred non-current:		
Asset:		
Federal	$ 35,688	$ 34,054
State	23,792	22,704
Net non-current deferred tax asset	$ 59,480	$ 56,758
Deferred non-current:		
Liability:		
Federal	$ (34,073)	$ (45,432)
State	(22,715)	(30,289)
Net non-current deferred tax liability	$ (56,788)	$ (75,721)

(Continued)

NOTE 9: LEASES

Short-Term Leases (Lessee)

During 2019, the Company entered into a lease agreement for a storage unit in Coeur d'Alene, Idaho. The lease agreement is month to month with payments of $290 per month and is classified as a short-term lease. For the year ended March 31, 2023, the Company recorded payments of $4,015.

During 2021, the Company entered into a lease agreement for a storage unit in Coeur d'Alene, Idaho. The lease agreement is month to month with payments of $180 per month and is classified as a short-term lease. For the year ended March 31, 2023, the Company recorded payments of $2,160.

Short-Term Leases (Lessor)

During 2014, the Company entered into a lease agreement with Grace Upon Grace Foundation to lease office space in the Company's main office building. The lease agreement is a month-to-month agreement in the amount of $200 per month when Bible study class is not in session and $500 per month when Bible study class is in session. The lease is classified as a short-term lease. For the year ended March 31, 2023, the Company received payments of $2,400.

Operating Leases (Lessee)

During 1998, the Company entered into a lease agreement for office space in a commercial building located in Coeur d'Alene, Idaho. The lease agreement was renewed in 2017 with a 5-year lease term and payments of $28,405 per month. On January 1, 2022, this lease agreement was renewed with another 5-year lease term and payments of $28,405 per month. The lease contains two additional renewal options that the Company does not anticipate to renew. The lease is classified as an operating lease based on an analysis that utilized a discount rate of 2.61%, which is the risk-free U.S. government bond rate over a similar term of the lease payments at the commencement date. For the year ended March 31, 2023, the Company recorded operating lease expense of $340,860. The remaining lease term is approximately 4 years.

During 2000, the Company entered into a lease agreement for undeveloped real estate on Mineral Drive in Coeur d'Alene, Idaho. The lease agreement has a period of 25 years, ending on March 1, 2025, with payments of $3,000 per month to maintain first development rights to the land. The lease is classified as an operating lease based on an analysis that utilized a discount rate of 2.61%, which is the risk-free U.S. government bond rate over a similar term of the lease payments at the commencement date. For the year ended March 31, 2023, the Company recorded operating lease expense of $36,000. The remaining lease term is approximately 2 years.

(Continued)

NOTE 9: LEASES (CONCLUDED)

Lease related costs recognized in the Statement of Cash Flows for the year ended March 31, 2023, are as follows:

	Year Ended March 31, 2023
Operating lease cost	
Operating lease cost	$ 376,860
Total operating lease cost	$ 376,860

Other information related to leases included on the Balance Sheets as of and for the year then ended March 31, 2023, is as follows:

	Operating Leases
Right-of-use assets	$ 1,301,580
Lease liabilities	$ 1,301,580
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows - right-of-use lease asset	$ 343,753
Right-of-use assets obtained in exchange for lease liabilities	$ 1,645,333
Weighted average remaining lease term in years	4.60
Weighted average discount rate	2.610%

Future minimum lease payments under non-cancellable operating leases as of March 31, 2023, are as follows:

	Building and Land		
For the year ended,	Principal	Interest	Total
2024	$ 352,725	$ 24,135	$ 376,860
2025	358,853	15,007	373,860
2026	334,357	6,503	340,860
2027	255,645	-	255,645
	$ 1,301,580	$ 45,645	$ 1,347,225

(Continued)

NOTE 10: RELATED PARTY TRANSACTIONS

The Company leases its operating building from Kraft Silver Park 3, LLC. This LLC is owned by the sole shareholders' family trust (90%) and a past board member/employee (10%) of the corporation. During each of fiscal years 2023 and 2022, lease payments totaled $340,860. The Company has paid a rental deposit to the shareholder, which is disclosed in Note 3.

The Company leases real property from Kraft Silver Park 2, LLC. The LLC is owned by the sole shareholders. During each of fiscal years 2023 and 2022, lease payments totaled $36,000.

The shareholder has guaranteed the Company's lines of credit and certain loans as noted in Note 6.

At March 31, 2023, the Company held a note receivable from the President, in the amount of $200,000. The note was paid to the Company in full on April 14, 2023.

NOTE 11: MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 19, 2023, which is the date the financial statements were available to be issued.

(Concluded)

ENVIRONMENT CONTROL BUILDING MAINTENANCE COMPANY AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

Environment Control Building Maintenance Company and Subsidiary
March 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Environment Control Building Maintenance Company and Subsidiary
Hayden, ID 83835

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Environment Control Building Maintenance Company and its wholly owned subsidiary, which comprise the consolidated balance sheets as of March 31, 2022 and 2021, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Environment Control Building Maintenance Company and its wholly owned subsidiary as of March 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Environment Control Building Maintenance Company and its wholly owned subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

2100 NW Blvd., Suite 400, Coeur d'Alene, ID 83814 mmcocpa.com // p 208-765-9500 // f 208-667-9174

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Company, P.A.

Coeur d'Alene, ID

June 27, 2022

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Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED BALANCE SHEETS
March 31, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash	$ 958,876	$ 1,133,172
Receivables:		
Trade accounts, net of allowance for doubtful accounts of $1,000 for 2022 and 2021	511,880	384,668
Royalties	447,841	565,135
Employee advances	-	110
Inventories	106,197	82,662
Prepaid expenses	90,710	51,065
Total current assets	2,115,504	2,216,812
Equipment and leasehold improvements:		
Equipment and furniture	1,404,525	1,350,260
Leasehold improvements	879,052	879,052
	2,283,577	2,229,312
Less accumulated depreciation	(1,495,893)	(1,327,783)
Total equipment and leasehold improvements	787,684	901,529
Other assets:		
Restricted cash	246,686	245,141
Deposits	40,976	63,216
Investment with captive insurance company	15,792	10,696
Deferred tax asset	56,758	64,820
Total other assets	360,212	383,873
Total assets	$ 3,263,400	$ 3,502,214

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED BALANCE SHEETS
March 31, 2022 and 2021

LIABILITIES AND STOCKHOLDER'S EQUITY

	2022	2021
Current liabilities:		
Accounts payable	$ 616,884	$ 970,787
Commissions payable	25,846	25,354
Sales and income taxes payable	7,056	219,491
Accrued liabilities	444,800	622,158
Current portion of notes and loans payable	117,183	148,007
Line of credit	500,000	-
Total current liabilities	1,711,769	1,985,797
Long-term liabilities:		
Insurance reserve	244,938	245,141
Notes and loans payable, net of current portion	71,437	188,666
Deferred tax liability	75,721	88,767
Total long-term liabilities	392,096	522,574
Total liabilities	2,103,865	2,508,371
Stockholder's equity:		
Common stock, $100 par value, 2,000 shares authorized, 250 shares issued and outstanding	25,000	25,000
Retained earnings	1,134,535	968,843
Total stockholder's equity	1,159,535	993,843
Total liabilities and stockholder's equity	$ 3,263,400	$ 3,502,214

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the Years Ended March 31, 2022 and 2021

	2022		2021	
	Amount	Percent of Sales	Amount	Percent of Sales
INCOME:				
Royalty income	$ 5,223,411	55.5%	$ 5,509,431	62.0%
Restoration services income	220,920	2.4%	38,029	0.4%
Services provided for franchises	2,627,050	27.9%	2,427,905	27.3%
Sales of supplies and equipment	96,057	1.0%	112,561	1.3%
Consulting and special services	1,238,118	13.2%	798,093	9.0%
Rental income	2,400	0.0%	-	-
Total income	9,407,956	100.0%	8,886,019	100.0%
EXPENSES:				
Salaries, wages, and benefits	6,820,265	72.5%	5,981,852	67.3%
General and administrative expenses	1,464,768	15.6%	1,165,923	13.1%
Cost of sales of supplies and equipment	132,923	1.4%	123,600	1.4%
Commissions	565,869	6.0%	875,010	9.9%
Depreciation	169,676	1.8%	149,947	1.7%
Interest expense	11,349	0.1%	12,112	0.1%
Total expenses	9,164,850	97.4%	8,308,444	93.5%
OPERATING INCOME	243,106	2.6%	577,575	6.5%
OTHER INCOME (EXPENSE):				
Interest income	2,046	0.0%	3,031	0.0%
Paycheck Protection Program loan forgiveness	-	-	594,687	6.7%
Gain (loss) on disposal of equipment	(1,401)	0.0%	23,500	0.3%
Total other income (expense)	645	0.0%	621,218	7.0%
INCOME BEFORE INCOME TAXES	243,751	2.6%	1,198,793	13.5%
INCOME TAX (PROVISION) BENEFIT	(78,059)	-0.8%	(221,091)	-2.5%
NET INCOME	165,692	1.8%	977,702	11.0%
RETAINED EARNINGS, beginning of year	968,843		1,191,141	
DIVIDEND PAID	-		(1,200,000)	
RETAINED EARNINGS, end of year	$ 1,134,535		$ 968,843	

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Environment Control Building Maintenance Company and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 165,692	$ 977,702
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	169,676	149,947
Loss on disposal of equipment	1,401	(23,500)
Change in deferred income taxes	(4,984)	(44,584)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(9,918)	(128,578)
(Increase) decrease in employee advances	110	1,075
(Increase) decrease in inventories	(23,535)	(18,660)
(Increase) decrease in prepaid expenses	(22,501)	19,274
Increase (decrease) in accounts payable	(353,903)	480,987
Increase (decrease) in accrued expenses	(389,301)	278,990
Net cash provided (used) by operating activities	(467,263)	1,692,653
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net insurance reserves	(1,748)	-
Proceeds from sale of asset	-	23,500
Acquisition of fixed assets	(57,232)	(104,887)
Net cash provided (used) by investing activities	(58,980)	(81,387)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	-	(1,200,000)
Proceeds from new debt	500,000	50,825
Payments on notes and loans payable	(148,053)	(136,859)
Net cash provided (used) by financing activities	351,947	(1,286,034)
NET INCREASE (DECREASE) IN CASH	(174,296)	325,232
CASH, beginning of year	1,133,172	807,940
CASH, end of year	$ 958,876	$ 1,133,172
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 11,349	$ 12,112
Income taxes paid	$ 322,182	$ 52,217

The accompanying "Notes to the Financial Statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Principles of Consolidation – The consolidated financial statements include Environment Control Building Maintenance Company and its wholly owned subsidiary, Environment Control Restoration Services, Inc., together referred to as ("the Company"). Intercompany transactions and balances are eliminated in consolidation.

Environment Control Building Maintenance Company was organized in 1970 to provide building maintenance and janitorial services and, in connection therewith, to conduct the franchising of building maintenance services to franchisees throughout the United States.

Environment Control Restoration Services, Inc., was organized in 2019 to expand the Company's service offerings to include restoration and cleaning services.

Revenue Recognition – The Company derives its income from the initial sale of franchises, continued services provided, sales of supplies and equipment, and royalties.

Franchise fees from the initial sale of franchises are recognized when the franchises are sold.

Continued service revenues and royalty income are recognized monthly as billed. Sales of supplies and equipment are recognized upon shipment to the franchises.

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

Cash Equivalents – For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The amount does not include restricted cash amounts.

Inventories – Inventories are valued at the lower of cost or net realizable value, using the first-in, first-out method. Inventories consist of cleaning products and equipment, office supplies, and brochures.

Trade Accounts Receivable – Trade accounts receivables are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for trade accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Equipment and Leasehold Improvements – For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 2 to 27 years. Leasehold improvements are amortized over the lesser of the life of the asset or the remaining term of the rental agreement.

The cost of maintenance and repairs is charged to expense as incurred. Betterments that materially increase property useful lives are capitalized. When an asset is retired, the cost and related accumulated depreciation are removed from the account and any gain or loss is reflected in the statement of operations.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Restricted Cash and Insurance Reserve – The Company has an arrangement with the franchising companies whereby they purchased workers' compensation for a group rate. The restricted cash and corresponding insurance reserve represent the amounts received from the franchising companies, net of disbursed amounts as of the end of the fiscal year. The policy began in May of 2019 and is in effect for a three-year period.

Commissions Payable – Commissions payable represent amounts due to franchise managers and others based on a formula of royalties received by the Company.

Non-refundable Prepayments and Deposits – In accordance with ASC 340-10 regarding non-refundable prepayments and deposits, the Company expenses those costs when the obligation is incurred.

Comparative Data/Reclassifications – Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

Advertising – The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended March 31, 2022, and 2021, were $2,101 and $5,547, respectively.

Income Taxes – Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statements and income tax purposes. The differences relate primarily to the effect of net operating loss carryovers, depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes), allowance for doubtful receivables (deductible for financial statement purposes but not for income tax purposes), and certain accrued liabilities (deductible for financial statement purposes but not for income tax purposes). The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, which prescribed a comprehensive model for how a company should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company adopted FIN 48 as of April 1, 2009, and, thereafter, recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Tax years still open for examination are fiscal years ended March 31, 2020, through March 31, 2022.

(Continued)

NOTE 2: NOTES AND LOANS RECEIVABLE FROM FRANCHISEES

In certain circumstances the Company makes loans to franchisees to help finance a portion of the cost of buying a franchise. Notes and loans receivable consist of several notes receivable from various franchisees. All such notes receivable are secured by franchise interests, bearing an interest rate of zero to 9.75% and are payable in principal and interest installments, as defined by the agreements. There were no franchise notes and loans receivable outstanding as of March 31, 2022, and 2021.

NOTE 3: DEPOSITS

Deposits at March 31, 2022 and 2021 represent primarily rent deposits paid to the majority stockholder on a building built to the Company's specifications.

NOTE 4: RETIREMENT PLANS

The Company has a 401(k) money-purchase retirement plan. The plan covers all employees who have attained the age of twenty-one and have completed 1,000 hours of service. Employer contributions made to the plan for the fiscal years ended March 31, 2022, and 2021 were $98,375 and $90,678, respectively.

NOTE 5: INVESTMENT IN CAPTIVE INSURANCE COMPANY

The Company has an investment in a captive insurance holding company, entitled Columbus Insurance Ltd. Columbus Insurance Ltd. is licensed and managed in the Cayman Islands to reinsure risks from the issuing insurance company, which is licensed and provides coverage in the United States. The types of coverage underwritten by Columbus are workers' compensation, automobile liability, automobile physical damage, and general liability. Each Shareholder, regardless of premium size, has one vote. A simple majority by the Board of Directors governs. The Company follows a three-year accounting cycle. Each year will stand-alone and will not be closed until the end of the third year after the policy year-end or as determined by the Board of Directors. Columbus reinsures workers' compensation, general liability, auto liability and auto physical damage insurance policies issued by a domestic policy issuing company. Reinsurance is in place to protect the captive for both specific excess and aggregate losses above designated levels. The participating members own the captive. Each captive member provides $36,000 initial capitalization as they join the program.

Columbus reinsures the policy issuing company up to the captive's specific retention of $350,000 for every loss, subject to an annual aggregate stop loss. The captive is structured as a member-owned group captive such that each member is responsible for a significant portion of its own loss activity. Each member's loss funds are divided into an "A" fund and "B" fund. The "A" fund pays for losses from $0 to $150,000 and the "B" fund pays for losses from $150,001 to $350,000. Each member is subject to assessment for its losses which exceed its initial "A" fund up to an additional one and one-half "A" fund amount, and therefore must provide a proportionate amount of collateral to the captive as a condition of membership to ensure that any such assessment can be properly funded. The captive's total losses within the retention are subject to a stop loss equal to two times the total "A" fund plus the total "B" fund for all members.

The carrying amount of the investment in the captive insurance company was $15,792 and $10,696 as of March 31, 2022, and 2021, respectively.

(Continued)

NOTE 6: NOTES AND LOANS PAYABLE

The Company has available a revolving line of credit from Chase Bank. Under the agreement, the Company can borrow up to $500,000 at an interest rate of 1.9% over the LIBOR rate collateralized by all inventory and equipment. As of March 31, 2022 and 2021, the Company had outstanding borrowing of $500,000 and $0, respectively.

Notes and loans payable at March 31, 2022 and 2021 consisted of the following:

	2022	2021
Construction loan payable to Bank of America, guaranteed by the shareholder, due in monthly installments of $8,333.33 plus variable interest based on the LIBOR Daily Floating Rate.	$ 66,667	$ 166,667
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $1,437.05 at 4.75% interest.	22,171	37,978
Auto loan payable to Idaho Central Credit Union secured by vehicle, due in 60 monthly installments of $994.68 at 6.09% interest.	20,640	30,971
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $850.88 at 4.31% interest.	26,391	35,296
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $954.97 at 4.82% interest.	41,662	50,825
Auto loan payable to Cashmere Bank secured by vehicle, due in 60 monthly installments of $387.52 at 6.093% interest.	11,089	14,936
Total	188,620	336,673
Less current portion	(117,183)	(148,007)
Long-term portion of notes payable	$ 71,437	$ 188,666

Maturities on notes and loans payable for the year ending March 31, 2022, are as follows:

2023	$ 117,183
2024	39,494
2025	20,822
2026	11,121
Total	$ 188,620

(Continued)

NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES

Most agreements between the Company and its franchisees contain a provision that requires the Company to guarantee that a specific dollar amount in sales will be achieved within a given time schedule. If these sales amounts are not met, the franchisee has the option to rescind the agreement. It is management's opinion that any rescissions of prior franchise sales will not materially affect the financial position of the Company.

NOTE 8: INCOME TAXES

The provisions (benefits) for income taxes for the years ended March 31, 2022 and 2021 are as follows:

	2022	2021
Current:		
Federal	$ 61,641	$ 180,000
State	21,402	85,675
Total	83,043	265,675
Deferred:		
Federal	(2,990)	(26,750)
State	(1,994)	(17,834)
Total	(4,984)	(44,584)
Total (benefit) provision	$ 78,059	$ 221,091

The provision is different from the tax calculated at statutory rates due to permanent timing differences between net income as calculated for financial statement and income tax purposes.

Deferred tax assets and liabilities are comprised of the following:

	2022	2021
Deferred non-current:		
Asset:		
Federal	$ 34,054	$ 38,892
State	22,704	25,928
Net non-current deferred tax asset	$ 56,758	$ 64,820
Deferred non-current:		
Liability:		
Federal	$ (45,432)	$ (53,260)
State	(30,289)	(35,507)
Net non-current deferred tax liability	$ (75,721)	$ (88,767)

(Continued)

NOTE 9: LEASES

Operating Leases - Lessee

During 1998, the Company entered into a lease agreement for office space in a commercial building located in Coeur d'Alene, Idaho. The lease agreement was renewed in 2017 with a 5-year lease term and payments of $28,405 per month. On January 1, 2022, this lease agreement was renewed with another 5-year lease term and payments of $28,405 per month.

During 2000, the Company entered into a lease agreement for undeveloped real estate on Mineral Drive in Coeur d'Alene, Idaho. The lease agreement has a period of 25 years, ended on March 1, 2025, with payments of $3,000 per month to maintain first development rights to the land.

During 2019, the Company entered into a lease agreement for a storage unit in Coeur d'Alene, Idaho. The lease agreement is month to month with payments of $290 per month.

During 2021, the Company also entered into a lease agreement for a storage unit in Coeur d'Alene, Idaho. The lease agreement is month to month with payments of $180 per month.

Future lease payments are due as follows:

Year Ending December 31,	
2023	$ 376,860
2024	376,860
2025	346,860
2026	340,860
2027	255,645
Total future lease payments	$ 1,697,085

Rent expense for the years ended March 31, 2022, and 2021, was $385,090 and $378,090, respectively.

Operating Leases – Lessor

During 2014, the Company entered into a lease agreement with Grace Upon Grace Foundation to lease office space in the Company's main office building. The lease agreement is a month-to-month agreement in the amount of $200 per month when Bible study class is not in session and $500 per month when Bible study class is in session.

(Continued)

NOTE 10: RELATED PARTY TRANSACTIONS

The Company leases its operating building from Kraft Silver Park 3, LLC. This LLC is owned by the sole shareholders' family trust (90%) and a past board member/employee (10%) of the corporation. During each of fiscal years 2022 and 2021, lease payments totaled $376,860 and $378,090. The Company has paid a rental deposit to the shareholder, which is disclosed in Note 3.

The shareholder has also guaranteed the Company's lines of credit and certain loans as noted in Note 6.

During the fiscal year ended March 31, 2018, the Company authorized a long-term note receivable of $60,000 to an officer of the Company. The terms of the note require interest only payments until the entire balance is due on March 31, 2021. The note receivable was collected in its entirety during the year ended March 31, 2021.

NOTE 11: MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 27, 2022, which is the date the financial statements were available to be issued.

(Concluded)

EXHIBIT B TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

EXHIBIT B
TO DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

ENVIRONMENT CONTROL BUILDING MAINTENANCE COMPANY
FRANCHISOR

AND

ENVIRONMENT CONTROL ________________________________
FRANCHISEE

EFFECTIVE: ____________________

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FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made effective this ________ day of ______________, 20___, by and between Environment Control Building Maintenance Company, a California Corporation, with its principal place of business at ~~6525~~ 6485 North Mineral Drive, Coeur d'Alene, Idaho 83815-8788 ("Franchisor") and ________________, a ________________ Corporation, with its principal place of business at ________________ ("Franchisee"). Franchisor and Franchisee may also be referred to collectively as the "Parties."

RECITALS

WHEREAS, Franchisor is engaged in the building maintenance business and in providing cleaning, sanitation, janitorial and all other related commercial and residential building maintenance services under the title and style of Environment Control; and

WHEREAS, Franchisor also offers Franchise opportunities in other specialized service categories, other than building maintenance, which may include but are not limited to restoration services, painting, lawn and grounds maintenance, pest control, general construction, property management, and security guard service, each under a separate Franchise Agreement, separately authorized by the Franchisor;

WHEREAS, Franchisor has expended time, effort and money to develop and obtain knowledge in the field of building maintenance services and has established successfully a reputation, demand, and goodwill for such building maintenance services under the name "Environment Control" which signifies the highest standards of management, supervision, integrity, and quality of services;

WHEREAS, Franchisee, upon the terms and conditions set forth in this Agreement, desires to obtain the benefits of the unique form of operation established by the Franchisor and the right to conduct and operate a building maintenance service under the name "Environment Control," all in accordance with the procedures and standards of service approved by the Franchisor; and

WHEREAS, Franchisor is ready and willing to grant a franchise to the Franchisee for the establishment and operation of a building maintenance service upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. FRANCHISE:

Franchisor hereby grants to Franchisee an exclusive, nontransferable and personal franchise to use the trade name "Environment Control" and other trademarks and service marks of Environment Control in connection with the establishment and operation of a building maintenance service business in the territory described in ***Attachment "A"*** upon the terms and conditions set forth in this Agreement for an indefinite term of years (herein defined as a "Legacy Franchise"), commencing on the effective date referenced above, subject however to the following conditions:

A. Franchisee must enter into a new Franchise Agreement every ten (10) years with Franchisor for the following purposes: (i) to keep the Franchisor-Franchisee relationship in compliance with federal and state regulations, (ii) to provide for updating the language of the Franchisor's Franchise Agreements to protect its confidential business information, trade secrets, copyrights, trademarks, and service marks, (iii) to allow for the organized and ordered growth of the franchise opportunity into related service fields, and (iv) to assure that all franchisees are generally situated in their respective relationships with the Franchisor on an equal basis. The Franchisor expressly warrants that this renewal process does not affect the respective obligations of the Parties relevant to the indefinite term of years set forth in the original Agreement, nor is it for the purpose of obtaining additional franchise fees from any renewing Franchisee. No additional fees or costs will be charged for this renewal process.

B. Early termination as set forth in Section 11, "Termination."

C. Franchisor agrees not to engage in the same or substantially similar business, or other business activity and authorized services in the territory covered by this Agreement; as long as Franchisee remains in good standing pursuant to the terms of this Agreement and published operating procedures. However, the Franchisor resumes the right to authorize additional services, such as restoration services, painting, lawn and grounds maintenance, pest control, general construction, property management, and security guard services; each of which are authorized under a separate Franchise Agreement (see Paragraph 1.E). In the event that Franchisee shall fail to strictly comply with the terms of this Agreement or published operating procedures, Franchisor, at its sole option, may elect to engage in the same or similar business in the territory covered by this Agreement.

D. In the event the Franchisor or another Franchisee obtains a National, Regional or Local Chain Contract ("Multi-Territorial Contract") with customers in the Franchisee's territory, the Franchisee will be offered the opportunity to bid on these contracts and perform the required services. However, the Franchisor at its discretion can establish another service if:

   1. The Franchisee does not want to provide the required service to meet the terms and conditions of the Multi-Territorial Contract;

   2. The Franchisee submits a bid that is not competitive and therefore jeopardizes the Multi-Territorial Contract; or

   3. The Franchisee fails to adequately perform the required service and must be replaced to protect the Multi-Territorial Contract.

E. After three (3) full years of operations, and with the written approval of the Franchisor prior to commencing operations, the Franchisee may consider expanding services to include other related services such as, but not limited to, restoration services, painting, lawn and grounds maintenance, pest control, general construction, property management, and security guard services. Revenue from these expanded services are included in the overall revenue of the Franchisee.

F. Franchisor reserves the right, after good faith discussions with Franchisee, to place additional Franchises, offering different service categories from Franchisee, in the same geographic territory as Franchisee, utilizing the same Environment Control licensing and branding.

2. FRANCHISE FEE, ADVANCED EXPENSE PAYMENT AND OPERATING CAPITAL DEPOSIT:

In consideration of the execution of this Agreement by Franchisor, the Franchisee shall pay to the Franchisor:

- A Franchise Fee of:
  ______________________, payable on: __________________________.

- A Development Allowance Allocation for the initial company development of:
  ______________________, payable on: __________________________.

- An Operating Capital Account Deposit of:
  ______________________, payable on: __________________________,
  and shall be deposited by Franchisor in Franchisee's bank account.

3. SERVICES OF FRANCHISOR:

A. ***Training of Franchisee***. Franchisor shall train the initial Manager of the Franchisee in the Environment Control methods and procedures of operation. Franchisee shall attend the "Company Development Seminar" at such place or places as Franchisor may designate. It is understood that Franchisee shall be responsible to pay for its own expenses incurred during any training period or seminar.

B. ***Standard Operations Manual***. For the benefit of all Franchisees and the Franchisor, to promote and protect the goodwill of Environment Control on a national level, and to establish and maintain uniform standards of operation, Franchisor has developed a standard operations manual (known as the Environment Control Operations Manual or "ECOM") for purposes of providing the Franchisee with time-saving and timely guidance and recommendations for operations of an EC franchise business. The ECOM, however, does not relieve the Franchisee from ownership or control of his, her, or its franchise business and the ultimate responsibility to operate the franchise business in an efficient, profitable, and lawful manner. Each Franchisee business is an independently owned and operated business. Franchisee shall conduct the operations of its local facility in general accordance with the standard operational methods and procedures as set forth in the ECOM and prescribed from time to time in supplemental bulletins and notices.

The Franchisee acknowledges that the system must continue to evolve in order to reflect the changing market and to meet new and changing customer demands. Accordingly, variations and additions to the system may be required from time to time in order to preserve and enhance the public image of the Environment Control system and to ensure the continuing operational efficiency of the Franchisee generally. The Franchisee agrees that the Franchisor may from time to time change the system, including, without limitation, the adoption of new or modified trademarks, service marks, products, services, equipment, furnishings, techniques, technologies, and methodologies relating to the preparation, sale, promotion, and marketing of services and supplies, and overall operation of the franchise. Franchisor retains the right to prescribe additions, deletions, or revisions as it may deem reasonable and necessary, and all such additions, deletions, or revisions shall become binding upon the Franchisee as if originally set forth in this Agreement.

The ECOM, and all the policies, procedures, and methodologies contained therein, are the exclusive confidential business property of the Franchisor, and shall at all times remain the sole property of the Franchisor. In the event of the termination of this Agreement for any reason, the Franchisee shall return to the Franchisor all such materials and immediately terminate all use of the ECOM, any policy, procedure, or methodology contained therein, and any software technologies used in the course of the Franchisee's business operations. As part of its daily operations, the Franchisee agrees not to copy, duplicate, or distribute all or any part of the ECOM and to limit its access to supervisory personnel only.

The Franchisor reserves the right at its sole discretion to vary its policies and procedures for any individual Franchisee based upon conditions the Franchisor deems important to the success of that Franchisee's particular business environment. Any such variance of EC's policies and procedures shall not be deemed a precedent for any other Franchisee. Any Franchisee with similar circumstances, without an approved variance from the Franchisor, shall only rely on their current Franchise Agreement, ECOM's, policies, and procedures.

C. ***Sales and Promotion.*** Upon the request of the Franchisee, the Franchisor shall train the Franchisee's Manager in sales and marketing protocols during the initial Company Development Seminar, as set forth in Paragraph 3.A for the purpose of aiding the Franchisee in developing skills that consistently increase sales and maintenance service accounts within its territory.

D. ***Inspection***. In addition to the above services, Franchisor shall have the right, but not the obligation, to periodically inspect and audit Franchisee's operation and offer advice and render assistance as Franchisor deems necessary. Accordingly, Franchisee agrees to permit Franchisor or authorized agents, as is reasonable to Franchisee's operations, to inspect the business operations, including books and records, to determine whether or not there has been compliance by Franchisee with this Agreement. Franchisor and Franchisee mutually acknowledge that Franchisee is an independently owned and operated business.

E. ***Insurance***. It is important to understand the difference between what the Franchisor "requires" and what the Franchisor "suggests" or "recommends" when it comes to insurance coverage. As part of this Agreement, the Franchisor does *require* certain specified *minimum* coverages for all Franchisees to insulate both the Franchisee and Franchisor from catastrophic loss that may result in the total operational failure of the Franchisee Company. By contrast, depending on the revenue size and scope of activities engaged in by each unique Franchisee, that unique Franchisee may also elect to purchase additional protective insurance coverages that are *suggested* or *recommended* by the Franchisor. These recommendations are only *suggestions* made by the Franchisor and are not mandatory requirements for operating as an Environment Control Franchisee.

All *minimum* insurance coverages and claim limit specifications required by the Franchisor are based on industry standards, the customary demands imposed by customers on service providers, and the recommendations of brokers and insurance agencies. *Minimum* coverages that are *required* by the Franchisor need not be purchased through the Franchisor but may be purchased by the Franchisee from any licensed and registered insurance carrier and agent of the Franchisee's choosing. Additionally, and from time to time, the Franchisor may negotiate a specific group package and offer collective insurance programs for the benefit of its Franchisees. Under such circumstances, within the informed consent of each participating Franchisee, the Franchisor may act as a liaison to obtain through brokers or agents of Franchisor's choosing, such insurance coverage as may be beneficial to Franchisee. These group packages may include *required* or only *suggested/recommended* coverages. Payments for such policies of insurance shall be billed as an operating expense to the franchise. Franchisor shall obtain competitive rates for such insurance, consistent with the quality, services, benefits provided, and the coverage involved. Franchisor may for particular insurance coverages become a "self-insurer" of the deductible portion, or a part thereof, of such policies of insurance. It is entirely at the option of the Franchisee whether to participate in any of these collective insurance programs facilitated by the Franchisor.

Nothing contained in this Agreement shall be construed or deemed to impose any duty or responsibility or obligation upon Franchisor to obtain or maintain any specific forms, kinds, or amounts of insurance for or on behalf of Franchisee. The Franchisor makes no representations that such insurance as may be obtained by Franchisor for Franchisee will insure Franchisee against all insurable risks of loss which may arise out of, or in connection with, the operation of Franchisee's business.

It is the Franchisee's sole responsibility to assure that the Franchisee has purchased adequate insurance coverages, whether that is from one of the Franchisor's collective programs, or an independent agent and insurance carrier. In the event that Franchisee purchases insurance coverage as part of any of Franchisor's collective insurance programs, Franchisee has the right to review or copy such policies of insurance obtained by Franchisor; or purchase at Franchisee's expense any different or additional insurance coverage.

In the event the Franchisee secures their own insurance coverage, such insurance coverage must name the Franchisor as an additional insured, the coverage and limits must meet or exceed those provided by the Franchisor's *minimum* requirements, and the Franchisee must comply with the guidelines set forth in the ECOM. Any insurance programs proffered by Franchisor are for the purpose of taking advantage of group premium discounts that may benefit the Franchisee. Franchisee will be the signatory on all insurance coverage.

F. ***Supplies***. Franchisor may sell to Franchisee, at prices and terms applicable to all similar franchisees within the same retail trading area, supplies and equipment which may be consumed or otherwise utilized in connection with the operation of Franchisee's business. It is understood and agreed that Franchisee is not required to purchase any supplies or equipment described in this paragraph from the Franchisor.

G. ***General Office and Bookkeeping Services***. Franchisor shall provide at its principal place of business: bookkeeping services including the maintaining of all franchise books, records, accounts, billings, invoices, general ledger, payrolls, bank accounts, disbursements, and related correspondence ("Business Records"). The Franchisor shall provide Franchisee with accounting information, including preparation of balance sheets, cost analyses, income statements, job reports, and accounts receivable aging, all in accordance with standard accounting practices ("Accounting Information"). All of these Business Records and Accounting Information shall be maintained in trust for the Franchisee and shall be the sole property of Franchisee. Franchisor shall make these business records and accounting information available:

(i) At Franchisor's place of business during regular office hours for inspection by Franchisee; and

(ii) Online within a secured server for Franchisee's convenience.

It is expressly understood and agreed that for at least a period of three (3) years, the Franchisee shall not acquire bookkeeping services other than those of the Franchisor for the purposes described in this Paragraph G. After that time, with the Franchisor's written consent, which consent shall not be unreasonably withheld, the Franchisee may acquire bookkeeping services from another source based on the terms set forth in the ECOM. In the event that Franchisee acquires another bookkeeping service, the Parties agree that the standard royalties due the Franchisor shall be adjusted and based on total revenue of the franchise.

H. ***Maintaining Electronic Systems***. Some aspects of the franchise business rely on electronic communication between the Franchisee and the Franchisor, including but not limited to bookkeeping, bulletins, operations procedures, management reports, and emails. The Franchisor will take reasonable steps to secure these systems so that disruptions do not materially affect the Franchisee's business. However, the Franchisor is not responsible for costs incurred by the Franchisee due to the failure of information and communication systems that the Franchisor or others supply.

In the event of a partial or total failure of Franchisor's electronic communications systems, Franchisee agrees to hold the Franchisor harmless from any costs, claims, or damages (including, without limitation, damage for loss of business or loss of profits) to Franchisee's business operations that may occur directly or indirectly as a result of the failure.

4. COMPENSATION OF FRANCHISOR:

A. ***General Office and Bookkeeping Services***. Franchisor shall receive fees as compensation for providing general office and bookkeeping services, report review, and consultation with the Franchisee, and all non-personalized operating forms and materials as described in the Franchisor's ECOM, an amount equal to six percent (6%) on the First Five Thousand Dollars ($5,000.00) of the monthly net revenues (as hereinafter defined), four and one-half percent (4.5%) on the amount over Five Thousand Dollars ($5,000.00) through to Ten Thousand Dollars ($10,000.00), and three percent (3%) on the amount which exceeds Ten Thousand Dollars ($10,000.00). A Franchisee may qualify for lower fees if it maintains certain levels of Net Profit monthly. For example, fees for a franchise operating at a minimum twenty percent (20%) Net Profit monthly, will be further reduced to one and one-half percent (1.5%) on amounts over Fifty Thousand Dollars ($50,000.00) through One Hundred Thousand Dollars ($100,000.00); and still further reduced to one-half percent (0.5%) on the amount which exceeds One Hundred Thousand Dollars ($100,000.00). If a franchise maintains at least a minimum eighteen percent (18%) Net Profit monthly, that franchise would not qualify for the full discount between Fifty Thousand Dollars ($50,000.00) net revenue and One Hundred Thousand Dollars ($100,000.00) net revenue, but would qualify for a reduced fee of one-half percent (0.5%) on amounts exceeding One Hundred Thousand Dollars ($100,000.00). See ECOM procedure, Centralized Accounting Fees, for further detail.

Commencing with the third year of operation of the franchise and for every month thereafter, Franchisee shall pay Franchisor a minimum fee of Five Hundred Dollars ($500.00) per month for the general office and bookkeeping services provided by the Franchisor.

B. ***Royalty***. Calculation of the Franchisor Royalty shall be as follows:

1. The Franchisor initially only receives a royalty when the Franchisee is earning a Net Profit. Once that occurs, the Franchisor shall receive a royalty payment from the Franchisee to be calculated on the first 25% of Net Profits per quarter. The amount of the royalty shall be equivalent to fifty percent (50%) of the first Twelve Thousand Dollars ($12,000.00) in Net Profits derived from the operation of the franchise during each calendar quarter. The royalty is also fifty percent (50%) after the first Twelve Thousand Dollars ($12,000.00), but is subject to a 50% rebate, resulting in a royalty of twenty-five percent (25%) of the Net Profits in excess of the first Twelve Thousand Dollars ($12,000.00) during each calendar quarter (see Growth Profits, under 6.B.2 of this Agreement). Said royalties shall be determined as hereinafter provided and shall be payable to Franchisor on the last day of each month for the preceding month. See Attachment B for an example.

2. After five (5) year of operations, as measured from the effective date of this Agreement, the franchise shall pay a royalty not less than the following minimums.

- ~~From and A~~After five (5) years from the effective date, Eight Thousand, Two Hundred Fifty Dollars ($8,250.00) minimum quarterly royalty.
- ~~From and A~~After ten (10) years from the effective date, Fourteen Thousand, Two Hundred Fifty Dollars ($14,250.00) minimum quarterly royalty.
- ~~From and A~~After fifteen (15) years from the effective date, Nineteen Thousand, Five Hundred Dollars ($19,500.00) minimum quarterly royalty.

5. DUTIES OF FRANCHISEE, ITS OWNER(S) AND MANAGER(S):

A. ***Manner of Operation***. Franchisee shall be viewed at all times as an independently owned and operated franchise business. This requires the Franchisee Owner to exercise all necessary decisions to run his, her, or its own business in an efficient and lawful manner. Franchisor has memorialized in the ECOM certain guidelines for franchise operations for purposes of providing the Franchisee with time saving and timely guidance and recommendations for operations of an EC franchise business. **The ECOM, however, does not relieve the Franchisee from ownership or control of his, her, or its franchise business and the ultimate responsibility to operate the franchise business in an efficient, profitable, and lawful manner.** Franchisee shall conduct the operations of its local facility in general accordance with such standards, procedures and policies as Franchisor may from time to time establish, as though all were specifically set forth in this Agreement, and as provided in the ECOM, bulletins, and notices. By way of illustration and without limitation, such standards and procedures may specify bookkeeping records and information, billing and collection procedures, business development of the franchise territory, standards for employees, advertising, and promotional efforts.

The Franchisor's programs, procedures, and standards are not intended to be a means to control the time, manner, and method of performing the local, daily operations of the franchise. They are provided to achieve a certain level of quality and uniformity within the system, and also to promote the continued operational efficiency of all franchisees in general.

B. ***Devotion of Time***. The majority shareholder Franchisee, or representative approved by the Franchisor, shall devote a full-time effort, and such time as shall be reasonable and necessary to properly operate the franchise business in a manner that is in keeping with the standards set by the Franchisor.

C. ***Management of Franchise***. Franchisee has the sole responsibility to provide full-time management and supervision for the franchise. Franchisee further agrees that the Manager hired to assume responsibility for the day-to-day operation in the

Franchisee's place of business must attend the next "Company Development Seminar." It is also understood and agreed that the costs of such training, related travel, lodging, and all related costs shall be at the expense of the Franchisee.

D. ***Minimum Operating Standards***. Franchisee shall establish and enforce minimum operating standards for each Franchisee facility, which are in general accordance with the ECOM as it currently exists or are, from time to time, amended or modified.

E. ***Maintenance of Records.*** Franchisee shall maintain records in a manner and form specified by Franchisor.

F. ***Ongoing Training.*** In addition to the "Company Development Seminar," the Franchisor provides a variety of seminars designed to increase the Franchisee's ability to operate the EC business systems and introduce new opportunities, procedures, and programs. Therefore, to assure that the Franchisee can continue to conduct its business in strict compliance with this Agreement, the Manager must attend at least one training program every thirty-six (36) months.

G. ***Operating Capital***. Sufficient operating capital, as reasonably determined by Franchisor, shall be deposited by Franchisee into its Environment Control Franchisee Custodial Account, and shall be considered as the minimum operating capital of the franchise. It is the contemplation of the Parties that this deposit should provide adequate operating capital to defray general operating expenses including, but not limited to, required insurance, deposits, and premiums, during regular franchise business operations.

Operating capital and all assets acquired by expenditures shall be vested in Franchisee. It is agreed by the Parties that the Franchisee may not withdraw any of said operating capital if, in the judgment of Franchisor, there would remain inadequate capital to meet the expenses of the franchise.

Franchisee agrees to provide any additional capital required as determined by the Franchisor. If Franchisee defaults in providing the capital required to meet the expenses of the franchise, and fails to cure said default within ten (10) days after written notice by Franchisor to Franchisee, then such a default shall constitute good cause to terminate this Agreement by Franchisor without prejudice to any other rights or remedies provided for in this Agreement.

H. ***Point of Contact***. To assure timely and accurate communication between the Franchisor and the Franchisee, the Franchisee must identify a point of contact. All information regarding the operation of the franchise, and compliance with the terms of this Agreement will be directed to this individual. This individual must be granted the decision-making authority to act on behalf of all Owners in the franchise. It is the sole responsibility of this individual to communicate any and all information provided by the Franchisor to all other appropriate parties. In the event another person who is authorized and related to the franchise, other than the agreed upon point of contact, makes inquiry or request for information, explanation, or input from the Franchisor; it will be provided, but at an additional fee as outlined in the relevant published operating procedure. Franchisee designates ____________________ as the designated point of contact until the Franchisor is notified in writing of a change to this designation.

In the event the Franchisor believes some action, activity, or condition of a Franchisee potentially places the franchise at risk of being in breach, the Franchisor reserves the right to inform all shareholders, members, or partners (per the published procedure entitled "Franchisor's Responsibilities and Rights") whenever such notice is necessary due to the potential negative impact caused by the loss of franchise rights.

I. ***Hold Harmless.*** Since Franchisee is independently owned and operated, Franchisor is not responsible, nor liable, for any act, omission, contract, debt, or any other obligation, claim, or judgment against Franchisee. Franchisee therefore agrees that if Franchisor is included in any claim, demand, penalty, or becomes a party to any suit or other judicial, court, or administrative proceeding by reason of any claim, act or omission by Franchisee, its employees or agents, or by reason of any act occurring on the Franchisee's business premises, or by reason of omission with respect to the business operations of its business, Franchisee shall defend Franchisor and shall also indemnify and hold Franchisor harmless against all judgments, settlements, penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceedings, incurred by, or imposed on Franchisor in any litigation or administrative proceeding. Franchisee's duty to defend Franchisor under this paragraph shall be at the sole option of Franchisor.

J. ***Trade Names, Service Marks, etc.*** Franchisee shall use the name "Environment Control" and all trade names, service marks, trademarks, signs, structures, and forms of advertising indicative of Environment Control strictly in accordance with the standards and policies as set forth in Franchisor's ECOM and supplementary bulletins and notices.

1. Use of trademark or name for any business activity other than building services requires prior written approval by the Franchisor not less than ninety (90) days before commencing such activity.

2. "Independently Owned and Operated" – The Franchisee agrees that at all times it will identify itself as an independently owned and operated franchise business to all customers, employees, and vendors. Franchisee, where appropriate, will include the phrase "Independently Owned and Operated" in the language of its contractual and promotional materials, as well as its Internet and social media branding.

K. ***Electronic Information and Communications***. Computers and related systems are vulnerable in varying degrees to all manner of malware, ransomware, viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, data-related problems, and attacks by hackers and other unauthorized intruders ("E-problems"). It is Franchisee's responsibility to protect itself from E-problems. Franchisee should also take reasonable steps to verify that its suppliers, lenders, landlords, and governmental agencies on which Franchisee relies have reasonable protection from E-Problems. This includes taking practical steps to secure its systems (including firewalls, password protection, and anti-virus systems) and to provide timely backup systems.

L. ***Non-Competition and Confidentiality of Information***. The Franchisee and its Owner(s) and Manager(s) will have access to Environment Control's Operating Manual, proprietary systems and information, training, and records. Therefore, for the term of this Agreement, Franchisee and its Owner(s) and Manager(s) agree as follows:

1. ***Non-Competition***. During the term of this Agreement and for a period of five (5) years thereafter, Franchisee or any Equity Owner or Manager of the Franchisee shall not, without the prior written consent of Franchisor, directly or indirectly, engage in, or acquire any financial interest in any business which performs commercial janitorial or related cleaning and custodial services, or engages in the franchising of commercial cleaning businesses, or any related business that the Franchisor engages in with any other franchisee. This includes, but is not limited to, acting as a co-owner, stockholder (other than publicly traded corporations), director, officer, advisor, consultant, independent contractor, employee, or agent of a competing business. Also, Franchisee shall not solicit or divert any customers or employees of the Franchisee to any other entity, whether or not that entity is directly or indirectly controlled by Franchisee. This restriction applies to both inside and outside the Franchisee's geographical territory.

2. ***Confidentiality of Information***. Franchisee or any Equity Owner or Manager of the Franchisee acknowledges that all information regarding the franchise business and its operation, which is not generally known to the public, is exclusively owned by Franchisor and is highly confidential in order to protect the economic interests of all other franchisees and to preserve the Franchisor's good will. Franchisee and all Equity Owners and Managers of the Franchisee must maintain in strict confidence all such confidential information and to use it only in the conduct of Franchisee's business.

3. ***Severability***. Franchisee acknowledges that all of the provisions of this Agreement are each separate and independent covenants. Franchisee agrees that if any court shall determine that any provision of this Agreement is unenforceable in any respect (including, but not limited to, its term or scope), such provision shall nonetheless be enforceable by any such court in such modified manner as may be determined by such court to be reasonable and enforceable. The remainder of this Agreement shall not be affected by the unenforceability or court-ordered modification to any specific provision.

6. DISTRIBUTION OF PROFITS:

A. ***Guidelines for Management and Operating Expenses***. The Franchisor and Franchisee each understand that there are normal, typical, and necessary costs associated with the operation of the franchise. The following guidelines are provided to assure that the Net Profit is not unduly affected by unreasonable or unnecessary costs.

1. ***Executive Compensation***. This is the compensation paid to the full-time President or CEO as a base salary for this position. The compensation is processed as an operating expense under account 42000. The percentage decreases on the monthly net revenue over Fifty Thousand Dollars ($50,000.00) because a portion of this income is used to underwrite the company's growing delegation, diversification, and specialization of department staff. All calculations for this Executive's salary are based on quarterly figures.

   Calculation of Executive Compensation

Salary Percent of Net Monthly Revenue	Net Monthly Revenue
6%	$0 – $50,000
4%	$50,001 – $150,000
3%	$150,001 – $250,000
2%	$250,001 – $350,000
1%	$350,001 +

   Executive Compensation shall be reduced by any labor cost exceeding fifty-four percent (54%) of the net monthly revenue as defined in Paragraph 7.A. Labor cost includes both direct and department payrolls and labor related costs. Overages result in a one-half percent (0.5%) reduction in the executive compensation for each one percent (1%), or a portion thereof, over the fifty-four percent (54%) cap. If labor exceeds sixty-six percent (66%), Growth Profits as defined in Paragraph 6.B.2 are reduced by twenty-five percent (25%) of the overage above sixty-six percent (66%); not to exceed the total Growth Profits.

   In the Franchisee's early stages of development, the Manager is primarily responsible for managing, supervising, and inspecting the physical operation of the franchise. However, as the business grows, the Manager delegates an increasing amount of this responsibility to other employees. An increasing portion of these funds are designated to support the staff acting in the Manager's role, resulting in a declining salary percent paid to the President or CEO.

2. ***Actual Labor Services***. For the first three years of operation, the Franchisee, or the designated Manager, shall be entitled to receive compensation at the standard hourly rate, as determined by Franchisor, for any physical labor performed in cleaning accounts. The Franchisor reserves the right to determine the hourly rate that the Franchisee shall receive for such physical labor since the Franchisor's royalties are based on the Net Profits of the franchise as defined in Paragraph 7.B. Franchisee shall maintain complete and accurate time records covering any services rendered under this provision and promptly submit them to Franchisor in accordance with standard procedures. The Franchisee cannot receive

compensation for non-physical labor activities such as management, supervision, inspections, training, sales, administration, personnel, etc. These responsibilities are compensated as described in Section 6.A.1.

3. ***Allocation for Capital Asset Purchases***. One and one-half percent (1.5%) of the Net Monthly Revenues shall be allocated each month to provide for the purchase and depreciation of capital assets (tangible and intangible). Ownership of these capital assets vests in the Franchisee. The one and one-half percent (1.5%) is credited and the depreciation and purchase of capital assets are debited to the profits of the Franchisee on a monthly basis.

4. ***Salary***. To further ensure that the Net Profits are not unduly affected by unreasonable expenses, no salary shall be paid the Franchisee or any employee of the franchise without the prior written approval of Franchisor. Such consent shall not be unreasonably withheld.

5. ***Classifying Operating Expenses***. The parties agree that from time to time the Franchisor may, in its sole discretion, unilaterally decide that a certain expense is to be excluded in the determination of Net Profits and that the Franchisor will not be responsible for the payment of such non-participating expense or liability. No such decision on the part of Franchisor shall be deemed an election to treat the same or similar expense or liability as a non-participating expense, and no such decision shall in any way bind or obligate Franchisor to treat any future expense or liability as a non-participating expense.

B. ***Profits***.

1. ***Efficiency Profits***. It is understood and agreed that the full-time Manager of the franchise shall also receive all Net Profits exceeding twenty-five percent (25%) of the Net Quarterly Revenues as defined in Paragraph 7.A for each calendar quarter.

2. ***Growth Profits***. In addition to the profits described in Section 6.B.1 and 6.B.3, the Franchisor agrees to rebate back twenty-five percent (25%) of its contracted profits in excess of Twelve Thousand Dollars ($12,000.00) during each calendar quarter. This rebate is referred to as "Growth Profits" and is directed to the Manager solely to underwrite the cost of organizational development resulting from growth.

   If Net Profits (as defined in Paragraph 7.B) drop below twelve percent (12%), and Executive Compensation (as defined in Paragraph 6.A.1) is zero dollars ($0), Growth Profits are reduced by twenty-five percent (25%) of the difference between twelve percent (12%) and actual profit; not to exceed twenty-five percent (25%) of total Growth Profits. If an Owner is receiving Growth Profits **in retirement or semi-retirement**, Growth Profits are reduced on the same basis **up to the total Growth Profit**. See Attachment C for examples of the growth profit reduction due to company profitability. See ECOM procedure, Executive Income Statement, for further details.

3. ***Share of Net Profits***. The Franchisee shall receive fifty percent (50%) of the Net Profits derived from the operation of the franchise during each calendar quarter, subject to the Manager of the franchise receiving all Net Profits exceeding twenty-five percent (25%) of the Net Revenues for each calendar quarter, as provided in Paragraph 6.B.1. After Net Profits have been determined each month, an estimated draw check will be issued to Franchisee on the last day of each month and a final adjustment check for the quarter will be issued with the Income Statement.

4. ***Franchise Losses***. Losses, if any, arising out of the operation of the franchise business shall be borne solely by Franchisee.

7. DEFINITIONS:

A. ***Net Revenues***. The term "Net Monthly Revenues" as used in this Agreement shall mean the amount of all sales and franchise services in the franchise territory whether for cash or credit for a month. To determine the Net Monthly Revenues there shall be deducted from total revenues for purposes of said computation (but only to the extent that they have been included) the amount of all sales taxes or other taxes which are by law chargeable to customers, and any refunds, overcharges or allowances given to customers. By extension, the term "Net Quarterly Revenues" is the same as Net Monthly Revenues when referring to any standard calendar quarter.

B. ***Net Profits***. The term "Net Profits" as used in this Agreement shall mean the profits on the accrual basis of accounting resulting from operations of the franchise after determination of all operating expenses and liabilities (based on sound accounting practices), including, but without limitation, the following: labor expenses (including those provided for Franchisee pursuant to Paragraph 6.A.2); management and supervision compensation; general office and bookkeeping service charges; building maintenance materials, products and supplies; insurance costs; maintenance and repair expenses; license fees; bad debt expense; and taxes.

8. ASSIGNMENT OR SALE:

This Agreement is a personal one, being entered into and in reliance upon the consideration of the singular personal skill, qualifications, and representations of trust and confidence reposed in the Owners of the franchise, who have promised to actively and substantially participate in the ownership and operation of the franchise business, and who will devote such time as shall be reasonable and necessary to conduct the franchise business in a manner in keeping with the high standards set by Franchisor.

A. ***Consent to Assignment***. Neither Franchisee's interest in this Agreement nor any rights or privileges of an individual Owner or corporate Franchisee shall be sold, assigned, transferred, shared, or divided, voluntarily or involuntarily, by operation of law or otherwise, in any manner, without the prior written consent of Franchisor. Such consent shall not be unreasonably withheld, but is subject to the Franchisee and the individual Owners of the franchise following the specific guidelines provided in published operating procedures. As a "Legacy Franchise" grant, all Franchisee rights *must be sold* only to those intending to continue as an EC Franchisee. Franchisee acknowledges its understanding that this may limit its options to sell or transfer equity or assets in the future. No sale or transfer will be approved unless a new Franchise Agreement is executed by the new Owner(s) governing the interest being acquired.

B. ***Cost of Assignment***. Franchisee shall reimburse Franchisor for all costs and expenses incurred in connection with any such assignment or proposed assignment, including without limitation, the Franchisor's time to qualify the new Owner(s), consulting on the terms, conditions, and agreement of the proposed assignment, costs to revise bookkeeping records, and cost of management training for assignees. These costs and expenses are approximated to be Six Thousand Dollars ($6,000.00). The actual costs for some of these services are published in EC operating procedures. Those that are not are charged at a rate of Two Hundred Fifty Dollars ($250.00) per hour.

C. ***Assignment of Existing Customers***. Franchisee, including individual Owners of the franchise, shall not sell, transfer, trade, assign or otherwise dispose of any account without the prior written consent of Franchisor, and such assignments SHALL NOT be made to non-franchise entities. If Franchisee shall desire to assign this franchise, or any part thereof, he, she, or it shall serve upon Franchisor a written notice, setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee. ~~Within~~ On or before thirty (30) days after its receipt of such notice, Franchisor may either:

(i) Consent to the assignment.

(ii) Demand an assignment to itself or its nominee upon the terms and conditions specified in the notice.

(iii) Require as a condition for sale to a non-franchise entity a one-time royalty compensation payment of between seven (7) to ten (10) times the total annual royalties on the accounts being assigned. This one-time royalty compensation shall be calculated and determined by the Franchisor in its sole discretion.

Franchisee hereby agrees to comply with such demand. Consent to a particular assignment upon specified terms and conditions shall not be deemed to be consent to an assignment upon any other terms and conditions nor to any other subsequent assignment.

D. ***Non-Competition and Confidentiality Agreement***. In the event of any agreed upon (or otherwise) assignments of interest and withdrawal of any individual Owner of a Franchisee from Environment Control, he, she, or it for a period of five (5) years from the date of assignment:

1. Shall not in any capacity engage in any other business which is the same or substantially similar to the business of the franchise, Franchisee, or Franchisor, in the franchise territory or in any other Environment Control franchise territory existing at the time of the assignment. This includes, but is not limited to, acting as a co-owner, stockholder (other than publicly traded corporations), director, officer, consultant, independent contractor, employee, or agent of a competing business.

2. Shall not transmit or divulge to anyone information acquired or developed concerning the methods of operation, promotion, sales or customer lists, or any other trade secrets of the franchise, Franchisee, or Franchisor.

3. Shall not solicit or attempt to solicit any business or trade from actual or perspective customers or clients of the Franchisor or any of its existing f~~F~~ranchisees. This includes, but is not limited to, making any contact with a customer or client of Franchisee, or any individual who works for or is associated with a customer or client, for any purpose (commercial, social, personal, or otherwise).

4. Shall not attempt to employ, or actually employ, any current employees of the Franchisee, Franchisor, or any of its existing franchisees.

5. Shall not retain or transmit in any form any information acquired or developed concerning the franchise, Franchisee, Franchisor, or any aspects of their operations or customers.

6. Shall not engage in any act prejudicial or injurious to the business or goodwill of the Franchisee, Franchisor, or any of its existing franchisees.

E. ***Sale of Franchise***. In the event the Franchisee sells one hundred percent (100%) of his, her, or its interest in some or all of the franchise's geographical territory, their rights to participate in profits from that geographical area shall cease. This includes, but is not limited to, the Combined Area Profits generated when more than one company operates within the exclusive franchise territory.

9. FRANCHISE AGREEMENT WITH MANAGERS AND FULL-TIME EMPLOYEES:

Franchisee agrees not to employ any general manager, manager, or operations manager (referred to collectively as "Key Employee"), or other full-time staff, for the franchise unless Franchisee first obtains a written agreement with the Key Employee, which includes at a minimum, the following terms:

~~A. Acknowledgement that as a Manager who will have greater responsibility and higher pay, they shall be designated as a "Key Employee" for purposes of non-competition requirements.~~

~~B~~A. Not to divulge to anyone, either directly or indirectly, during the term of employment and for a period of one (1) year thereafter any information acquired concerning the methods of operation, promotion, sales or customer lists, or other trade secrets of the franchise.

~~C. During the term of employment and for a period of one (1) year thereafter Key Employee shall not in any capacity engage in any business which is the same or substantially similar to the business of the franchise, at any other place in the franchise territory, or in any other Environment Control franchise territory existing at the time.~~

~~D~~B. Upon the termination of employment, employee shall immediately deliver to the Franchisee all books, records, manuals, customer lists, contracts, and accounts in any form, whether that be paper or electronic, and any phones, computers, and electronic tablets supplied by the Franchisee to the Key Employee and used in connection with the business.

Franchisee hereby agrees to give notice in writing to the Key Employee, prior to the Key Employee's employment, of the provision of Paragraph 9 of this Agreement.

10. RELATIONSHIP OF THE PARTIES:

The Environment Control Franchisor provides each Franchisee with a suggested program and recommended guidelines for operation of the franchise business. However, the Franchisor is not involved in the actual business operations, nor does it exert any local control or direction of the day-to-day decisions or activities of the Franchisee.

In all matters pertaining to the operation of the franchise business, Franchisee is and shall be an independently owned and operated business entity. No employee of Franchisee shall be deemed to be an employee of Franchisor. Nothing herein contained shall be construed so as to create an independent contractor relationship, partnership, joint venture or agency, and neither party to this Agreement shall be liable for the debts or obligations of the other party.

Nothing in this Agreement shall be construed to limit or affect in any way profits, revenues or income which Franchisor may earn or charge on sales to Franchisee, to any share or participation in any discounts, commissions, rebates, fees or other sums that Franchisor may receive from suppliers, distributors, manufacturers, insurers, or sales organizations supplying goods or services to Franchisor or Franchisee; and Franchisee expressly acknowledges that Franchisor may earn or receive such amounts without obligation therefore to Franchisee.

11. TERMINATION:

The Franchisor may terminate this Agreement by written notice given to the Franchisee in the event the Franchisee shall neglect or fail to perform or observe any of the terms or conditions of this Agreement, or the ECOM's published policies or procedures.

Written notice shall state the reason for the termination and shall provide a reasonable time period for the Franchisee to cure or remedy any breach or default. If the breach or default is rectified within the stated period of time, then the notice shall be void except as stated in Section 11.C. Reasons for termination of this Agreement include, but are not limited to, the following:

A. ***Failure to Perform.*** If the reason for termination is failure to perform in accordance with any of the terms and conditions of this Agreement or published ECOM, the Franchisee shall have thirty (30) calendar days from receipt of the written notice to cure or remedy the breach or default to the satisfaction of the Franchisor.

B. ***Nonpayment.*** If the reason for termination is nonpayment of sums due under this Agreement, including failure to provide the required operating capital as set forth in Section 5.G, the Franchisee shall have ten (10) business days from receipt of the written notice to cure or remedy the breach or default to the satisfaction of the Franchisor.

C. ***Repeated Failure to Perform.*** Written notice and reasonable time to correct defaults shall not be required if the Franchisee repeatedly fails to perform in accordance with this Agreement or published ECOM.

D. ***Bankruptcy, Reorganization, Assignment.*** If the reason for terminating a Franchisee is the actual or threatened assignment of business assets for the benefit of creditors, adjudication due to bankruptcy, or a procedure for reorganization, composition or arrangement of the Franchisee's estate affairs, or a personal bankruptcy of any Equity Owner of the Franchisee entity, the Franchisee may have up to thirty (30) calendar days from receipt of the written notice to remedy the default to the satisfaction of the Franchisor. Termination of the franchise for the reason of the Franchisee's bankruptcy or that of an individual Equity Owner of the Franchisee under certain chapters of the Federal Bankruptcy Law may be unenforceable.

E. ***Discontinuing Business***. If the reason for termination is that the Franchisee ceases to do business for a period of five (5) business days.

F. ***Minimum Operating Standards.*** Failure to maintain the Minimum Operating Standards as published in the ECOM.

G. ***Insufficient Operating Capital.*** See Franchisee's responsibility to maintain sufficient operating capital outlined in Paragraph 5.G of this Agreement.

H. ***Other Justification for Termination Including but Not Limited to:***

1. Failure to comply with laws, rules, or regulations of all federal, state, and local governments applicable to operating the franchise.

2. Excluding revenue or debt from the company records, falsifying information to the Franchisor, or submitting false records or reports to the Franchisor.

3. Conducting any similar business either under the Environment Control brand or otherwise without the prior written consent of the Franchisor.

4. Operating the franchise outside of the exclusive geographical territory granted by this Agreement, including but not limited to the territory of another franchisee, without prior written approval from the Franchisor, and when applicable, the other franchisee, where the business is located.

12. CONDITIONS UPON TERMINATION:

A. During the term of this Agreement and for a period of five (5) years thereafter, Franchisee, including individual Equity Owners of Franchisee, shall not in any capacity, except with the written consent of the Franchisor, engage in any business which is the same or substantially similar to the business covered by this Agreement, at any other place in the franchise territory or in any other Environment Control franchise territory existing at the time.

B. Franchisee, including individual Equity Owners of Franchisee, shall not during the term of this Agreement and for a period of five (5) years thereafter communicate or divulge to, or use for the benefit of, any other person, partnership, association, or corporation, any information or knowledge concerning the methods of operation, promotion, sales or customer lists, or other trade secrets used or employed by Franchisor in and about the business which may be communicated to the Franchisee or which Franchisee may acquire by virtue of the operation under the terms of this Agreement; nor will Franchisee do any act prejudicial or injurious to the business or goodwill of Franchisor.

C. Upon the termination of this Agreement for any reason, Franchisee, including individual Owners of Franchisee, will not for a period of five (5) years thereafter, directly or indirectly, enter into the employment of or render services to any other person, partnership, association, LLC, corporation, or any other business enterprise engaged in the same or substantially similar business as covered by this Agreement (in the territory covered by this Agreement, or which may be added thereto, or in any other Environment Control franchise territory existing at the time) which can reasonably be termed competitive to Franchisor or other franchisees. During such term of five (5) years, Franchisee will not within such territory engage in such business or become interested therein directly or indirectly, as an individual, partner, stockholder (other than publicly traded corporations), director, officer, clerk, principal, agent, employee, trustee, or in any other relationship or capacity.

D. Upon the termination of this Agreement for any reason, Franchisee shall immediately discontinue the use of all trade names, service marks, trademarks, signs, structures, and forms of advertising indicative of Environment Control or the business thereof. Franchisee shall also immediately discontinue use of all software programs and operational practices obtained from Franchisor.

E. In the building maintenance business, Franchisee develops lists of customers who may be legally entitled to or require immediate and continuing building maintenance services irrespective of the termination of this Agreement for any reason. The Parties acknowledge, affirm, and agree that these customer lists and other customer-related documentation immediately become an asset and trade secret belonging to the Franchisor upon the termination of this Agreement.

Therefore, Franchisee hereby agrees that upon the termination of this Agreement for any reason, to immediately return, transfer, assign and deliver to Franchisor, all manuals, customer lists, forms, files, customer contacts, bids and contracts, and computer media used in the franchise business. This includes cleaning equipment, supplies, consumables, customer storage inventories and company vehicles. Franchisor shall have one hundred and twenty (120) days to audit and determine if any value can be salvaged from the terminated Franchisee operations and inventory. If such value is determined to exist, the Franchisor will arrange for reimbursement of this value to the Equity Owners of the terminated Franchisee.

F. Upon termination of this Agreement, Franchisee shall pay Franchisor all sums then due, except where prohibited by state law. However, such termination shall not affect the obligation of the Franchisee hereunder to take action, or abstain from taking action, after the termination.

13. INDEPENDENCE OF RESTRICTIVE COVENANTS:

The covenants and restrictions contained in Section 12 of this Agreement shall be construed as independent of any other provision of this Agreement, and the existence of any claim or cause of action of Franchisee against Franchisor, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Franchisor of such covenants and restrictions.

14. REMEDIES FOR BREACH:

A. Franchisee acknowledges that the strict performance of all of the terms of this Agreement is necessary not only for the protection of Franchisor, but also for the protection of Franchisee and all other operators of Environment Control franchises. As a result, it is acknowledged, affirmed, and agreed that strict and exacting performance by Franchisee of each of the covenants and conditions contained in this Agreement is a condition precedent to the continuance of this Agreement on an ongoing basis. Any breach of any covenant or failure to perform any condition on the part of Franchisee, whether by way of willful omission or commission, shall be considered a substantial breach, which shall entitle Franchisor to exercise any and all remedies provided for in this Agreement, at law or in equity.

B. Written notice and reasonable time to correct defaults shall not be required if the Franchisee repeatedly fails to perform in accordance with this Agreement or the published ECOM.

C. Waiver by Franchisor of any default or breach shall not be deemed to be a waiver of any other or subsequent default or breach.

15. INTEGRATION OF AGREEMENT:

This Agreement shall supersede all prior negotiations, understandings, representations, and agreements, if any, whether in written or verbal form. Franchisee acknowledges entering into this Agreement as a result of Franchisee's independent investigation and not as a result of any representation of Franchisor, its agents, officers, or employees. This Agreement, including, but not limited to this provision, may not be amended orally but may be amended only by a written instrument signed by all Parties. Nothing in this Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

16. NOTICES:

Any notice required or permitted to be given hereunder shall be in writing and shall be served upon the other party personally, or by overnight carrier (Federal Express, United Parcel Service, etc.), freight prepaid, and shall be addressed to Franchisor, Attention: Doug Kraft, at ~~6525~~ 6485 North Mineral Drive, Coeur d'Alene, Idaho 83815-8788. Any notice to Franchisee shall be addressed to ______________________________, Attention: ______________ at ______________________________. Either party may designate another address at any time by appropriate written notice to the other. Service of any notice or demand by overnight carrier shall be deemed complete and shall be effective from the time the same is deposited with the carrier as aforesaid.

17. WAIVER AND DELAY:

No waiver or delay in the enforcement of any breach of any term, covenant or condition of this Agreement shall be construed as a waiver of any preceding or subsequent breach or delay in enforcement of the same, or any other term, covenant, or condition of this Agreement. Without limitation on the foregoing, the acceptance of any payment paid by Franchisee in a lessor amount than required by this Agreement shall not be construed as a waiver of any breach of any term, covenant, or condition of this Agreement.

18. ALTERNATIVE DISPUTE RESOLUTION:

A. ***Good Faith Negotiations Followed by Arbitration***. The Parties will attempt, in good faith, to resolve through negotiation any dispute, claim or controversy arising out of or relating to this Agreement.

1. ***Written Notice***. Either party may initiate negotiations by providing written notice in written form to the other party, setting forth the subject of the dispute and the relief requested. The recipient of such notice will respond in writing within ten (10) business days with a statement of its position on and recommended solution to the dispute.

2. ***Meeting***. If the dispute set forth in the initial notice is not resolved by this exchange of correspondence, the party with the dispute may request a meeting. Representatives of each party with full settlement authority will meet at a mutually agreeable time and place. Unless otherwise agreed upon by both Parties, this meeting must take place on or before thirty (30) days of the date that the written response from the responding party is

received. The purpose of this meeting is to exchange relevant information and perspectives, and to continue the joint effort to resolve the dispute.

3. ***The Expense of Negotiations***. Each party is responsible for their own costs associated with this process.

4. ***Unresolved Disputes.*** If the dispute is still not resolved by these negotiations, either party may elect to submit the matter to binding arbitration as prescribed in the following section.

B. ***Arbitration.*** The arbitration shall be conducted in accordance with the expedited rules and regulations then in effect as set forth under Judicial Arbitration and Mediation Services ("JAMS"), or any other nationally recognized rules recommended by the arbitrator, and agreed to by the Parties. The arbitration shall be heard by one (1) arbitrator. Except as to a breach for nonpayment of sums due under this Agreement, or for injunctive or other extraordinary relief, the provisions relating to arbitration shall be applied to any alleged breach of this Agreement. The arbitrator shall have no right to include or decide issues not directly involved in the specific dispute presented for arbitration. Any court of competent jurisdiction shall serve as the "gatekeeper" as to the scope and applicability of the arbitration process. Except as otherwise required under applicable law, the Parties agree that neither of them will assert class action or representative action claims against the other, whether in arbitration or otherwise, which actions are hereby waived; and each of the Parties shall only submit their own, individual claims in arbitration and will not seek to represent the interests of any other person or entity. The arbitration shall be open to all interested parties, subject to the rules of the arbitrator.

1. ***Request for Arbitration.*** A request for arbitration of a dispute must first be preceded by the process of good faith negotiations as outlined in Section 18.A. If the dispute is unresolved, either party may then request arbitration. This request must be made in writing within thirty (30) days following the conclusion of the good faith negotiations.

2. ***Selection of Arbitrator.*** The single arbitrator will be selected pursuant to the protocols established and maintained by JAMS.

3. ***Timing of Arbitration.*** Time is of the essence in these proceedings and a decision of the arbitrator shall in all events be rendered within ninety (90) days after the initial notice of arbitration. Additional time for the decision may be granted by mutual consent of Franchisor and Franchisee, or upon request of the arbitrator, but in no case longer than ninety (90) days after the last day of the initial ninety (90) days. If the arbitrator's decision is not rendered within the time set forth in this paragraph, the arbitration may be terminated by either party, and either party may then proceed to have the matter resolved in a court of law.

4. ***The Arbitrator's Decision.*** The decision of the arbitrator shall be legally binding on all parties.

5. ***The Expense of Arbitration.*** The actual expense of the arbitrator shall be borne equally by Franchisor and Franchisee. Each party is responsible for their own expenses, such as the cost of preparing for the meeting, researching information, preparing reports or correspondence, travel, lodging, legal consultation, etc.

6. ***The Location of Arbitration***. The location of any arbitration proceeding shall be determined by the arbitrator, provided that such arbitration shall take place within the state in which the franchise territory is located.

19. CONSTRUCTION OF PROVISIONS, TITLES, AND ELECTRONIC SIGNATURES:

A. This Agreement is to be construed according to the laws of the jurisdiction where the franchise business is located.

B. The titles and subtitles of the various articles and paragraphs are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

C. The language in all parts of this Agreement shall be construed simply to its fair meaning, and not strictly for or against Franchisor or Franchisee.

D. It is agreed that if any provisions of this Agreement is determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement, all of which provisions shall remain in full force and effect; and it is the intention of the Parties hereto that if any portion of this Agreement is capable of two constructions, one of which would render the provision void and one which would render it valid, then the provision shall have the construction which renders it valid.

E. The word "Franchisee" may be applicable to one or more parties, as the case may be, and the singular shall include the plural and the masculine shall include the feminine or neuter gender, and vice versa. If there is more than one party or person referred to as the "Franchisee," then their obligations and liabilities shall be joint and several.

F. The Parties agree that this Agreement may be signed in any number of original copies and all shall be considered an original Agreement. The Parties further agree that this Agreement may be signed and transmitted via electronic or facsimile transmission with the original signed Agreement to follow.

20. ATTORNEY'S FEES:

Other than as provided in Paragraph 18 above, the prevailing party in any action to enforce any of the terms of this Agreement shall be entitled to recover his, her, or its costs, including reasonable attorney's fee, incurred in bringing or defending the action from the non-prevailing party.

21. PRIMARY OPERATOR OF BUSINESS:

Franchisee (if not an individual, then a managing member, partner, or an officer designated by the Franchisee to participate personally in the Franchisee business) must be the primary operator of the Franchisee business at all times and devote substantial full-time and best efforts on a daily basis, in person, to the supervision and conduct of the Franchisee business unless Franchisor waives this requirement in writing at its sole discretion.

22. PREVIOUS FRANCHISE AGREEMENTS:

Parties agree that this Agreement supersedes, replaces, and nullifies all previous Franchise Agreements, if any there be, related to this franchise territory.

~~[Signature page follows.]~~

Date Initials

23. ACKNOWLEDGEMENTS:

(Date and Initial Each Section)

A. Franchisee acknowledges that Franchisee has conducted an independent investigation of the proposed franchise and recognizes that the business venture contemplated by this Agreement involves business risks. The Franchisee's success shall be dependent upon the ability of the Franchisee as an independent business person. Other than the general provisions made in Item 19 of the Franchise Disclosure Document, the Franchisor expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received any warranty or guarantee expressed or implied as to the potential sales, income, profits, or success of the business venture contemplated by this Agreement.

Date Initials

B. Franchisee acknowledges that Franchisee has received a copy of Franchisor's Franchise Disclosure Document which contains a copy of this Franchise Agreement at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that Franchisee has received a copy of the complete Franchise Agreement for the Franchise business, the attachments hereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee acknowledges and agrees that Franchisor has made no promises, representations, warranties, or assurances to Franchisee which are inconsistent with the terms of this Agreement or Franchisor's Franchise Disclosure Document, concerning the profitability or likelihood of success of the Franchise business. The Franchisee has been informed by Franchisor that there can be no guarantee of success in the Franchise business and that Franchisee's business ability and aptitude is primary in determining his success.

Date Initials

C. Franchisee acknowledges that Franchisee has read and understood this Agreement, the attachments hereto, and the Franchise Disclosure Document relating thereto; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors and counsel of Franchisee's choosing about the potential benefits and risks of entering into this Agreement.

Date Initials

D. Franchisee acknowledges that Franchisee has had access to the Franchisor's Operations Manual and was given ample opportunity to review it completely.

Date Initials

E. The Franchisor retains the right to establish and periodically modify system standards which Franchisee has agreed to maintain in the operation of the Franchise business. The Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchise business and the implementation and maintenance system standards at the Franchise business.

Date Initials

F. Franchisee acknowledges and agrees that Franchisor, in its sole and absolute discretion, may modify its franchise offer to other potential franchisees in any manner and at any time. Such modified offers and agreements may have terms, conditions, and obligations that differ from the terms, conditions, and obligations in this Agreement.

Date Initials

G. Neither Franchisee nor any of his, her, or its Managers may have an interest in, or business relationship with, any business competing with Franchisor's business or with any aspect of its building maintenance services.

Date Initials

Franchisee (if not an individual, then a management member, partner, officer designated by Franchisee to participate personally in the Franchise business) must be the primary operator of the Franchise business at the time and devote substantial full time and best efforts on a daily basis, in person, to the supervision and conduct of the Franchise business unless Franchisor waives this requirement in writing at its sole discretion.

IN WITNESS WHEREOF, the Parties hereto execute this Agreement with an effective date of __________.

ENVIRONMENT CONTROL BUILDING MAINTENANCE COMPANY
FRANCHISOR

By______________________________
Print Name________________________
Title_________________________

I have read the foregoing Agreement, and I hereby accept and agree to each and all of the provisions, covenants, and conditions thereof. I hereby acknowledge receipt of a copy of this Agreement.

ENVIRONMENT CONTROL ________________
FRANCHISEE

By______________________________
Print Name________________________
As its CEO and Individually

[To be signed by all Equity Owners of Franchisee.]

ATTACHMENT A

DESCRIPTION OF FRANCHISE TERRITORY AND AUTHORIZED SERVICE CATEGORY

________________________________ has exclusive franchise rights to the territory known as ________________________ that lies within the following boundaries:

(Description)

Authorized Service Category:

ENVIRONMENT CONTROL ______________
FRANCHISEE

By____________________________
Print Name______________________
As its CEO and Individually

[To be signed by all Equity Owners of Franchisee.]

ATTACHMENT B

EXAMPLE 1

If the company is operating as follows:

- Quarterly Net Revenue is $300,000
- Net Profits are 28% or $84,000

Then:

a. Royalties are calculated on the first 25% of Net Profits or $75,000 calculated as $300,000 X 25%.
b. The first $12,000 of Net Profits are divided 50% - 50%, so $6,000 is added to the Royalty calculated as $12,000 X 50%.
c. The royalty is then 25% of the remaining $63,000 (calculated as $75,000 - $12,000) X 25%, or $15,750. This calculation includes the rebate of Growth Profits.
d. Add the $6,000 from the 50% split under point (b) above to the $15,750 calculated in point (c) to get a total royalty of $21,750.

ENVIRONMENT CONTROL __________________
FRANCHISEE

By__________________________________
Print Name____________________________
As its CEO and Individually

[To be signed by all Equity Owners of Franchisee.]

ATTACHMENT C

EXAMPLE 1

If the company is operating as follows:

- Quarterly Net Revenue is $300,000
- Net Profits are 10% or $30,000
- Executive Compensation (as defined in 6.A.1) is already reduced to zero dollars ($0)

Then:

a. Net Profits at 12% would be $36,000
b. Difference between Net Profits at 10% and 12% is $6,000
c. 25% of this difference is added back to the Royalty $6,000 X 25% = $1,500

EXAMPLE 2

If the company is operating as follows:

- Quarterly Net Revenue is $300,000
- Net Profits are 5% or $15,000
- Executive Compensation is zero dollars ($0)

Then:

a. Net Profits at 12% would be $36,000
b. Difference between Net Profits at 5% and 12% is $21,000
c. 25% of this difference is $5,250 calculated as $21,000 X 25%
d. Growth Profits total $750 calculated as

Step 1: Quarterly Net Revenue X Net Profit % = Net Profit Dollars

$300,000 X 5% = $15,000

Step 2: Then (Net Profits – equally shared profits, first $12,000 per quarter) X 25% = Growth Profits

($15,000 - $12,000) x 25% = $750

Therefore, because growth profits should not be reduced by more than 25% of total Growth Profits, the reduction in Growth Profits is $187.50, calculated as $750 X 25% = $187.50.

However, if any franchise Owner is receiving Growth Profits in retirement, Growth Profits are reduced by 25% of the difference between twelve percent (12%) and the actual profit, UP TO THE TOTAL GROWTH PROFIT.

In Example 1 above, there is no difference for a retired Owner in terms of reduction in Growth Profits.

In Example 2 above, the Growth Profit would be reduced by the total Growth Profit figure of $750 instead of $187.50 as in the case of an Owner who is not retired.

Note:
- After 5 years of operation, minimum required royalties are $8,250 per calendar quarter.
- After 10 years of operation, minimum required royalties are $14,250 per calendar quarter.
- After 15 years of operation, minimum required royalties are $19,500 per calendar quarter.

ENVIRONMENT CONTROL ________________
FRANCHISEE

By_________________________________
Print Name__________________________
As its CEO and Individually

[To be signed by all Equity Owners of Franchisee.]

ATTACHMENT D

DEVELOPMENT ALLOWANCE ALLOCATION
FRANCHISE AGREEMENT

A.	**Training Allowance** (1)		$11,000
	1. Company Development Seminar	$3,500 (2)	
	2. Sales Training On-site (eight days)	5,000	
	3. Additional Training On-site (four days)	2,500	
	4. Training Videos	N/C (2 years)	
		$11,000	
B.	**Supplies & Equipment Allowance** (1)		$14,000
	1. Supplies	$4,000	
	2. Equipment	8,000	
	3. Office Supplies & Equipment	1,000	
	4. Image Package	1,000	
		$14,000	
C.	**Computer System Allowance** (1)		$4,500
	1. Hardware	$2,500	
	2. Initial Set-Up Fee	300	
	3. UKG/Intacct Allowance (For 12 Months) (3)	1,200	
	4. Training	500	
		$4,500	
D.	Telesales		$41,500
	1. Service (4)	$38,000	
	2. Salesforce CRM (Sales Software) (5)	3,500	
		$41,500	
	• Salesforce Licensing~~Cloud~~ $3,112.80		
	• Startup 387.20		
	$3,500.00		
~~D.~~	~~Telesales Service (3)~~		~~$38,000~~
E.	**Other Allowances** (~~4~~6)		$1,500
	1. Public Website (12 Months)	600	
	2. Technical Systems Support and Financial Visibility (12 Months)	900	
		$1,500	
	TOTAL DEVELOPMENT EXPENSE		~~$69,000~~72,500

(1) Allowances: Those items shown as an allowance mean that you pay the actual cost. If the actual cost is less than the allowance, the difference remains in your Working Capital account. If it is more, the difference is paid from your Working Capital account. Five Hundred Dollars ($500) of the on-site allowance per four-day trip is paid to the Franchisor as a training fee. The balance covers travel, lodging, rental car, etc.

(2) This allowance represents the approximate cost of this training when held at the Corporate Office. It is more if the same training is done on-site.

(3) This allowance is placed in operating capital to assist in payment of UKG and Intacct fees over the first year of operation.

(34) Provides one thousand (1,000) hours of Telesales conducted by the Corporate Office. These fees are not paid to the Franchisor upon startup and are only invoiced and paid upon delivery of Telesales services. It is the Franchisor's intent that the Franchisee has sufficient funds on deposit at startup, which are reserved for future payment of Telesales service charges.

(5) Salesforce CRM is used as the contact management software for the Telesales effort. It is also used for tracking bid status and bid performance, as well as multiple operational visibility functions. The licensing fee referenced here is the current cost of initial license fee. Sales Force also requires an annual per user license fee and monthly support fees, the price of which are subject to change by Sales Force annually/monthly, as applicable.

(46) These funds pre-pay the first twelve (12) months of these expenses. After that period of time, the monthly cost is an operating expense of the franchise.

EXHIBIT C TO THE DISCLOSURE DOCUMENT

MINNESOTA ADDENDUM

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

With respect to franchises governed by Minnesota law, the F~~f~~ranchisor will comply with Minnesota Statutes, Statutes 80C.14.Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the F~~f~~ranchise A~~a~~greement; and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The F~~f~~ranchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logo types or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

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

Minnesota Rules 2860.4400(D) prohibits a F~~f~~ranchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to F~~f~~ranchisor obtaining injunctive relief. The F~~f~~ranchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

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

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 F~~f~~ranchisor, franchise seller, or other person acting on behalf of the F~~f~~ranchisor. This provision supersedes any other term of any document executed with the franchise.

EXHIBIT D TO THE DISCLOSURE DOCUMENT
STATE LAW ADDENDUM

The following modifications and additions are part of the EC Disclosure Document ("DD") and Franchise Agreement ("FA") as required by relevant state laws. We are not registered to offer franchises in the states of Hawaii, Maryland, New York, North Dakota, Rhode Island, South Dakota, Washington, or Wisconsin.

California

DD Item XVII, FA Sections

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

(2) 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.).

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

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

(5) Section 31125 of the California Corporations Code requires the Franchisor to give the Franchisee a Ddisclosure Ddocument, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

Negotiated Sales

"THE SUBJECT OF THE FOLLOWING ITEMS OF THIS DISCLOSURE DOCUMENT MAY BE NEGOTIATED OR HAS BEEN NEGOTIATED WITHIN THE 12 MONTHS IMMEDIATELY PRECEDING THE EFFECTIVE DATE OF THE DISCLOSURE DOCUMENT:

Item V (Initial Franchise Fee Amount and Payment Terms)

Item X (Financing Arrangements)

Item XII (Size and Exclusivity of the Franchise Territory)

THE SUBJECT OF THE FOLLOWING ITEMS OF THIS DISCLOSURE DOCUMENT MAY BE NEGOTIATED OR HAS BEEN NEGOTIATED WITHIN THE 12 MONTHS IMMEDIATELY PRECEDING THE EFFECTIVE DATE OF THE DISCLOSURE DOCUMENT WITH PROSPECTIVE FRANCHISEES HAVING (i) A NET WORTH OF AT LEAST ONE MILLION DOLLARS (EXCLUDING HOME, HOME FURNISHINGS AND AUTOMOBILES); (ii) AN ANNUAL INCOME OF TWO HUNDRED THOUSAND DOLLARS IN THE IMMEDIATELY PRECEDING TWO YEARS AND AN ANTICIPATED ANNUAL INCOME OF TWO HUNDRED THOUSAND DOLLARS IN THE CURRENT YEAR; OR (iii) DURING THE 36 MONTHS IMMEDIATELY PRECEDING THE OFFER, OWNED AT LEAST FIFTY PERCENT OF A BUSINESS OF THE TYPE WHICH IS THE SUBJECT OF THE MEMBERSHIP OFFERING OR CONTROLLED (AS DEFINED IN SECTION 160(A) OF GENERAL CORPORATION LAW AS IN EFFECT ON JANUARY 1, 1989) A CORPORATE OWNER OF SUCH A BUSINESS AND EITHER IS A MEMBER OF THE EC SYSTEM OR IS CONVERTING THE BUSINESS TO THE FRANCHISE PROGRAM DESCRIBED IN THE DISCLOSURE DOCUMENT:

Item V (Initial Franchise Fee or Other Initial Payment)

Item VI (Other Fees)

Item VII (Franchisee's Initial Investment)

Item VIII (Obligations of Franchisee to Purchase or Lease From Designated Sources)

Item IX (Obligations of Franchisee to Purchase or Lease in Accordance With Specifications)

Item X (Financing Arrangements)

Item XI (Obligations of EC; Other Supervision, Assistance or Services)

Item XII (Area or Territory)

Item XV (Obligation of Franchisee to Participate in the Actual Operation of the Franchise Business)

Item XVI (Restrictions on Goods and Services Offered By Franchisee)

Item XVII (Renewal, Termination, Repurchase, Modification and Assignment of the Franchise Agreement and Related Information)

Item XXII (Contracts).

Copies of any notice of negotiated sale of franchises may be reviewed at any office of the California Department of Corporations. Upon request, EC shall furnish to the prospective franchisee copies of all notices filed during the 12 months immediately preceding the effective date of the Disclosure Document and subsequent thereto up to the date of the offer.

All negotiated sales in California are subject to the following provisions as outlined in the California Administrative Code, Title 10, Chapter 3, Subchapter 2.6, Section 310.100.2:

1. The initial offer must be registered pursuant to the California Franchise Investment Law.

2. The prospective franchisee by reason of its business or financial experience could be reasonably assumed to have the capacity to protect its own interest in conjunction with the transaction. The income and net worth of the prospective franchisee's spouse may be included in determining the total income and net worth required by this paragraph. The net worth and income test may also be satisfied by a prospective franchisee corporation (or by a fifty percent or more shareholder of such prospective franchisee corporation) or a prospective franchisee partnership (or by a prospective franchisee general partner of such partnership). In making the determination, EC may rely on the representations of the prospective franchisee with respect to its net worth and income provided EC has no reason to doubt the representations.

3. If a negotiated sale is consummated, Notice of Negotiated Sale of Franchise in the form set forth in the regulations must be filed with the Commissioner within 15 business days after the negotiated sale.

   EC CERTIFIES AND DECLARES THAT ALL NOTICES HAVE BEEN FILED WITH THE COMMISSIONER AS REQUIRED BY THE NEGOTIATED SALES SECTION OF THE CALIFORNIA ADMINISTRATIVE CODE, TITLE 10, CHAPTER 3, SUBCHAPTER 2.6, SECTION 310.100.2(a).

Hawaii

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

Paragraph 4110.01, Section 482E-6(3):

Upon termination or refusal to renew the franchise the franchisee shall be compensated for the fair market value, at the time of the termination or expiration of the franchise, of the franchisee's inventory, supplies, equipment and furnishings purchased from the F~~f~~ranchisor or a supplier designated by the F~~f~~ranchisor; provided that personalized materials that have no value to the F~~f~~ranchisor need not be compensated for. If the F~~f~~ranchisor refuses to renew a franchise for the purpose of converting the franchisee's business to one owned and operated by the F~~f~~ranchisor, the F~~f~~ranchisor, in addition to their remedies provided in this paragraph, shall compensate the franchisee for the loss of goodwill. The F~~f~~ranchisor may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of the franchisee's inventory, supplies, equipment and furnishings pursuant to this requirement, and may offset from such compensation any moneys due the F~~f~~ranchisor.

Illinois

DD Item IX (B)

Approval or disapproval of alternative suppliers for Franchisor's trademark-bearing materials will be evidenced in writing within 45 days from the date all required submissions are received by the Franchisor.

DD Item XVII(A)

A Franchisee's rights upon termination and non-renewal may be affected by Illinois law. Ill. Rev. Stat. 1979, Ch 121-1/2, Par. 704.3, 704.4.

Indiana

DD Item XVII(N); FA Section

In Indiana, the reference to "members of their households or members of their immediate families" under the provisions of covenants not to compete shall mean any person who has access to the information, including a spouse or any other person who lives within the household.

Maryland

The Franchisee must execute duplicate copies of the Maryland Acknowledgment of Receipt, which is attached at the end of this Addendum. The Franchisee should retain one copy; the Franchisor retains the other.

Michigan

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are included in these franchise documents, the provisions are void for Michigan franchisees and cannot be enforced against Michigan franchisees. These provisions are:

(a) A prohibition on the right of a Franchisee to join an association of franchisees.

(b) A requirement that a Franchisee assent to a release, assignment, novation, waiver or estoppel that deprives a Franchisee of rights and protections provided in the Michigan Franchise investment law. This shall not preclude a Franchisee, after entering into a Franchise Agreement, from settling any and all claims.

(c) A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the Franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the Franchisee by repurchase or other means for the fair market value at the time of expiration of the Franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if:

  (i) The term of the franchise is less than 5 years, and

  (ii) The Franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise, or the Franchisee does not receive at least 6 months' advance notice of Franchisor's intent not to renew the franchise.

(e) A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other Franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the Franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision that permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

  (i) The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.

  (ii) The fact that the proposed transferee is a competitor of the Franchisor or sub-F~~f~~ranchisor.

  (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

  (iv) The failure of the Franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires the Franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the Franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision that permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the Franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation or endorsement by the Attorney General. Any questions regarding this notice should be directed to the Department of the Michigan Attorney General, G. Mennen Williams Building, 525 W. Ottaway Street, P.O. Box 30212, Lansing, Michigan 48909; (517) 335-7622.

The name and address of the Franchisor's agent in Michigan authorized to receive service of process is:

Michigan Department of Licensing and Regulatory Affairs
Corporation, Securities & Commercial Licensing
Securities and Audit Division

P.O. Box 30018
Lansing, MI 48909

Minnesota

DD Item XVII(E); FA Section

The State of Minnesota prohibits certain unfair provisions in franchise documents. If any of the following provisions are included in these franchise documents, the provisions are void for Minnesota franchisees and cannot be enforced against Minnesota franchisees. Minnesota Statutes Section 80C.14, Subdivision 2, provides that it shall be deemed unfair and inequitable for any person to:

(a) Terminate or cancel a franchise without first giving written notice setting forth all the reasons for the termination or cancellation to the franchisee at least 60 days in advance of termination or cancellation, except that the notice shall be effective immediately upon receipt where the alleged grounds are:

(1) Voluntary abandonment of the franchise relationship by the franchisee;

(2) The conviction of the franchisee of an offense directly related to the business conducted pursuant to the franchise; or

(3) Failure to cure a default under the franchise agreement that materially impairs the goodwill associated with the Ffranchisor's trade name, trademark, service mark, logotype or other commercial symbol after the franchisee has received written notice to cure of at least 24 hours in advance thereof;

(b) Terminate or cancel a franchise except for good cause. "Good cause" shall be failure by the franchisee substantially to comply with reasonable requirements imposed upon him by the franchise including, but not limited to:

(1) The bankruptcy or insolvency of the franchisee;

(2) Assignment for the benefit of creditors or similar disposition of the assets of the franchise business;

(3) Voluntary abandonment of the franchise business;

(4) Conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or

(5) Any act by or conduct of the franchisee which materially impairs the goodwill associated with the Ffranchisor's trademark, trade name, service mark, logotype or other commercial symbol; or

(c) Fail to renew a franchise unless the franchisee has been given written notice of the intention not to renew at least 90 days in advance thereof and has been given a sufficient opportunity to recover his investment unless the failure to renew is for good cause as defined in clause (b).

FA Section

Minnesota law prohibits requiring a franchisee to waive his or her rights to a trial or to consent to liquidated damages, termination penalties or judgment notes; provided, that this part shall not bar a voluntary arbitration of any matter if the proceeding is conducted by an independent tribunal under the rules of the American Arbitration Association. (Minn. Rules 2860.4400(J))

North Dakota

DD Item IX(A)(4)

Under North Dakota law, no modification or change the Franchisor makes to the Operations Manual or Method of Operation may materially affect the Franchisee's status, rights, or obligations under the Franchise Agreement.

FA Section

Covenants not to compete are considered unenforceable in the State of North Dakota.

FA Section

Under North Dakota law, a requirement that franchisees consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered unenforceable.

South Dakota

DD Item XVII(E)(2)(i); FA Section

Under South Dakota law, termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards and failure to make royalty payments contained in the Disclosure Document and franchise agreement must afford a franchisee thirty (30) days' written notice with an opportunity to cure the default prior to termination.

FA Section

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement and interpretation under the governing law of the State of Oregon.

In the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed-upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

Any provision in a franchise agreement that designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of South Dakota is void with respect to any cause of action that is otherwise enforceable in South Dakota.

Virginia

DD Item IX(B)

In Virginia, notice of approval or disapproval of a proposed supplier shall be issued by the Franchisor within forty-five (45) days after the Franchisee has delivered all required materials.

Washington

DD Item XVII; FA Section

The Washington Franchise Investment Protection Act shall prevail as governing law for franchises sold in Washington. RCW 19.100, et seq.

Washington franchises RCW 19.100.180(2) requires that the Franchisor shall not:

(1) Refuse to renew a franchise without fairly compensating the Franchisee for the fair market value, at the time of expiration of the franchise, of the Franchisee's inventory, supplies, equipment and furnishings purchased from the Franchisor and good will, exclusive of personalized materials which have no value to the Franchisor, and inventory, supplies, equipment, and furnishings not reasonably required in the conduct of the franchise business; PROVIDED, that compensation need not be made to Franchisee for good will if (i) the Franchisee has been given 1 year's notice of non-renewal, and (ii) the Franchisor agrees in writing not to enforce any covenant which restrains the Franchisee from competing with the Franchisor; PROVIDED FURTHER, that a Franchisor may offset against amounts owed to a Franchisee under this subsection any amounts owed by such Franchisee to the Franchisor.

(2) Terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include, without limitation, the failure of the Franchisee to comply with lawful material provisions of the franchise or other agreement between the Franchisor and the Franchisee and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such default, or if such default cannot reasonably be cured within thirty (30) days, the failure of the Franchisee to initiate within thirty (30) days substantial and continuing action to cure such default; PROVIDED, that after 3 willful and material breaches of the same term of the Franchise Agreement occurring within a 12 month period, for which the Franchisee has been given notice and an opportunity to cure as provided in this subsection, the Franchisor may terminate the agreement upon any subsequent willful and material breach of the same term within the 12-month period without providing notice or opportunity to cure; PROVIDED FURTHER, that a Franchisor may terminate a franchise without giving prior notice or opportunity to cure a default if the Franchisee (i) is adjudicated a bankrupt or insolvent; (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (iii) voluntarily abandons the franchise business; or (iv) is convicted of or pleads guilty or no contest to a charge of violating any law relating to the franchise business. Upon termination for good cause, the Franchisor shall purchase from the Franchisee at a fair market value at the time of termination, the Franchisee's inventory and supplies, exclusive of (i) personalized materials which have no value to the Franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchise business; and (iii) if the Franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from the Franchisor or on his express requirement; PROVIDED, that a Franchisor may offset against amounts owed to a Franchisee under this subsection any amounts owed by such Franchisee to the Franchisor.

(3) Require a franchisee to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by the Washington Franchise Investment Protection Act.

Wisconsin

DD Item XVII

The applicable laws of Wisconsin may require notice periods greater than those set forth above for termination, cancellation, non-renewal or the like, and may limit the reasons or causes for termination, cancellation, non-renewal or the like. To the extent any provisions of the Franchise Agreement provide for periods of notice or for termination, cancellation, non-renewal, or the like other than in accordance with the applicable law, such provisions shall not be effective, to the extent such are not in accordance with applicable law, and the Franchisor will comply with the applicable law.

The Wisconsin Fair Dealership Law (Wisconsin Statutes, 1983-84, Title XIV-A, Chapter 135) supersedes any provision of a Franchise Agreement inconsistent with the law.

It is agreed that this state law addendum for the state of Minnesota is made part of and supersedes relevant portions of the Franchise Agreement dated the ___ day of ___________, 20______ between EC ("Franchisor") and ________________ ("Franchisee").

DATED this ___ day of __________________, 20__.

ENVIRONMENT CONTROL BUILDING MAINTENANCE COMPANY ("Franchisor")

By:____
Title:_______________________________________

____ ("Franchisee")

By:____
Title:_______________________________________

By:____
Title:_______________________________________

EXHIBIT E TO THE DISCLOSURE DOCUMENT

PROMISSORY NOTE

Dated: ______________________

Name of Franchise: Environment Control – ____________________

Amount Borrowed $ ______________________________

Interest Rate: 9.75% per annum

This Note is issued by "Individual", Borrower. The Lender is Environment Control Building Maintenance Company.

In installments and at the times hereinafter stated, for value received, the undersigned "Individual", Borrower, promises to pay to Environment Control Building Maintenance Company, a California corporation, at Coeur d'Alene, Idaho, or at such other address as they may direct in writing, the principal sum of ______________________ Dollars ($__________). Payments are to begin on the ______________ month from the official start date of the ________________________ franchise. No interest will accrue during the first twenty-four (24) months prior to the start of these payments.

Principal and interest payments to be made in ___________ (____) payments in the amount of ______________________ Dollars ($____________) each from the regular profits earned by Borrower beginning with the regular profits earned in the ____________ month of operation and continuing until paid. Payments are to be made by the Environment Control Bookkeeping Department to the Lender within thirty (30) days of the month ending in which the profits are earned.

1. The loan balance of ________________ Dollars ($___________) will be discounted One Dollar ($1) for every one dollar of regular monthly maintenance billing. with a maximum discount of ________________Dollars ($_________).

2. If the entire loan is not discounted, the remaining balance is financed for twelve (12) months at nine and three quarter percent (9.75%) interest per annum.

3. The payment schedule and Promissory Note will be adjusted based on the revised loan balance.

4. A loan discount is considered compensation by the Internal Revenue Service. Therefore, Borrower will receive Form 1099 for the amount this loan is reduced.

The Borrower may pre-pay without penalty any installment or installments of principal on any payment date. All prepayments shall be credited against the last installments of principal then due.

Each payment shall be credited first on the interest then due; and the remainder on the principal sum; and interest shall thereupon cease upon the amount so paid on the principal sum. Should default be made in the payment of any of said installments when due, and such default is not cured within ten (10) days after written notice thereof, then the whole sum of principal and interest shall become immediately due and payable at the option of the Lender.

As security for the payment of said Promissory Note, Borrower understands and agrees that in the event default should be made by Borrower of any indebtedness owed under the terms of this Note, the proportionate amount of interest owed by Borrower in the franchise, as represented by the unpaid indebtedness shall at the option of the Lender, be assigned, transferred and conveyed to said Lender. In the event the security as described herein does not satisfy the unpaid indebtedness, the Lender may proceed against the Borrower hereof for any indebtedness owed.

The Borrower hereby waives presentment for payment, notice of non-payment, protest, and notice of protest, and agrees that extensions of time for payment may be granted by the Lender without notice. In case of legal proceedings to collect this Note or in case this Note is handed to any attorney for collection, the Borrower agrees to pay reasonable attorney's fees to be taxed as costs in the action.

____
"*Individual*"

Date:______________________

EXHIBIT F TO THE DISCLOSURE DOCUMENT
DEVELOPMENT EXPENSE ALLOCATION

A.	**Training Allowance** (1)		$11,000
1.	Company Development Seminar	$ 3,500 (2)	
2.	Sales Training On-site (eight days)	5,000	
3.	Additional Training On-site (four days)	2,500	
4.	Training Videos	N/C (2 years)	
		$11,000	
B.	**Supplies & Equipment Allowance** (1)		$14,000
1.	Supplies	$ 4,000	
2.	Equipment	8,000	
3.	Office Supplies & Equipment	1,000	
4.	Image Package	1,000	
		$14,000	
C.	**Computer System Allowance** (1)		$ 4,500
1.	Hardware	$ 2,500	
2.	Initial Set-Up Fee	300	
3.	UKG/Intacct Allowance (12 months) (3)	1,200	
4.	Training	500	
		$ 4,500	
D.	**Telesales ~~Service (4)~~**		$41,500~~38,000~~
1.	Service (4)	$38,000	
2.	Salesforce CRM (Sales Software) (5)	3,500	
		$41,500	
	• Salesforce Licensing $3,112.80		
	• Startup 387.20		
	$3,500.00		
E.	**Other Allowances** (6~~5~~)		$ 1,500
1.	Public Website Maintenance (12 months)	600	
2.	Technical Systems Support and Financial Visibility (12 months)	900	
		$ 1,500	
	TOTAL DEVELOPMENT EXPENSE		**~~$69,000~~$72,500**

(1) Allowances: Those items shown as an allowance mean that you pay the actual cost. If the actual cost is less than the allowance, the difference remains in your Working Capital account. If it is more, the difference is paid from your Working Capital account. Five Hundred Dollars ($500) of the on-site allowance per four (4) day trip is paid to the Franchisor as a training fee. The balance covers travel, lodging, rental car, etc.

(2) This allowance represents the approximate cost of this training when held at the Corporate Office. The cost of the same training is increased if performed on-site at the Franchisee's location.

(3) This allowance is placed in operating capital to assist in payment of UKG and Intacct fees over the first year of operation.

(4) Provides 1,000 hours of Telesales conducted by the EC Franchisor. These fees are not paid to the Franchisor upon startup and are only invoiced and paid upon delivery of Telesales services. It is the Franchisor's intent that the Franchisee has sufficient funds on deposit at startup, which are reserved for future payment of Telesales service charges.

(5) Salesforce CRM is used as the contact management software for the Telesales effort. It is also used for tracking bid status and bid performance, as well as multiple operational visibility functions. The licensing fee referenced here is the current cost of initial license fee. Sales Force also requires an annual per user license fee and monthly support fees, the price of which are subject to change by Sales Force annually/monthly, as applicable. See Item 6 regarding the annualized license fee and monthly fees.

(6~~5~~) These funds prepay the first twelve (12) months of these expenses. After that period of time, the monthly cost is an operating expense of the franchise.

EXHIBIT G TO THE DISCLOSURE DOCUMENT

NAMES AND ADDRESSES OF STATE REGULATORY AUTHORITIES AND REGISTERED AGENTS IN STATES

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	California Department of Business Oversight	Corporations Commissioner Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677
	Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677	
	Sacramento: 1515 K Street, Suite 200 Sacramento, CA 95814-4052 (916) 445-7205 or (866) 275-2677	
	San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 or (866) 275-2677	
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230
FLORIDA	(not applicable)	Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services 2005 Apalachee Pkwy Tallahassee, FL 32399-6500 (877) 693-5236 or (850) 410-3800
HAWAII	Commissioner of Securities King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2722	Business Registration Division Hawaii Dept. of Commerce & Consumer Affairs King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813 (808) 586-2722
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices of the Secretary of State Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	Not Applicable	Director of Regulated Industries Unit Iowa Insurance Division

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
		601 Locust Street, 4th Floor Des Moines, Iowa 50309 (515) 242-5310
MARYLAND	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Attorney General Office of the Attorney General 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Licensing and Regulatory Affairs CS & CL Securities and Audit Division PO Box 30018 Lansing, MI 48909 (517) 335-5237	Franchise Administrator Michigan Department of Licensing and Regulatory Affairs CS & CL Securities and Audit Division PO Box 30018 Lansing, MI 48909 (517) 335-5237
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1638	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1638
NEBRASKA	Not Applicable	Staff Attorney Department of Banking and Finance PO Box 95006 1526 K St. #300 Lincoln, Nebraska 68508 (402) 471-3445
NEW YORK	Secretary of State of the State of New York 41 State Street Albany, NY 12231 (518) 473-2492	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Ave. State Capitol, 5th Floor Bismarck, ND 58505 (701) 328-4712	Franchise Examiner North Dakota Securities Department 600 East Boulevard Ave. State Capitol, 5th Floor Bismarck, ND 58505 (701) 328-4712
OREGON	Director of Oregon Department of Consumer and Business Services Division of Financial Regulation 350 Winter St. NE Fourth Floor Salem, OR 97301-3833 (503) 947-7980	Department of Consumer and Business Services Division of Financial Regulation 350 Winter St. NE Fourth Floor Salem, OR 97301-3883 (503) 947-7980
RHODE ISLAND	Director of Rhode Island Business Regulation Division of Securities 1511 Pontiac Ave. Cranston, RI 02920 (401) 462-9500	Associate Director and Superintendent of Securities Division of Securities 1511 Pontiac Ave. Cranston, RI 02920 (401) 462-9500
SOUTH DAKOTA	Director of South Dakota Division of Securities 124 S. Euclid Ave., 2nd Floor Pierre, SD 57501 (605) 773-3563	Franchise Administrator Division of Securities 124 S. Euclid Ave., 2nd Floor Pierre, SD 57501 (605) 773-3563

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
TEXAS	Not Applicable	Secretary of State Statutory Document Section 1019 Brazos Austin, TX 78701 (512) 475-0775
UTAH	Not Applicable	Division of Consumer Protection Utah Department of Commerce 160 East 300 South Salt Lake City, Utah 84111 (801) 530-6601
VIRGINIA	Clerk of the State Corporation Commission Tyler Building 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Chief Examine/Investigator State Corporation Commission Division of Securities and Retail Franchising Tyler Building 1300 E. Main Street Richmond VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities Dept. of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 261-9555	Franchise Administrator Wisconsin Securities Commission Dept. of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection 600 Pennsylvania Ave., NW Washington, DC 20580 (202) 326-2222

EXHIBIT H TO THE DISCLOSURE DOCUMENT
STATEMENT OF FRANCHISEE

Franchise Name:____ **No.** _________

Must be completed in Franchisee's own handwriting.

The Franchisee (also called "me", "our", "us", "we" and/or "I" in this document) and Environment Control Building Maintenance Company, Inc. (also called "EC", "you" or "your") have a mutual interest in making sure that no misunderstanding exists between us. To verify that no violations of law might have occurred, EC is relying on the statements I/we make in this document. I/we advise EC as follows:

A. The following dates and information are true and correct:

1. The date of our first face to face meeting with any representative of EC to discuss the possible purchase of an EC business:

   ____

2. The date when I/we received a Franchise Disclosure Document providing me/us with information regarding the purchase of an EC business:

   ____

3. The date when I/we received a fully completed copy (other than signature) of the Franchise Agreement and all other documents I/we later signed:

   ____

4. The earliest date on which I/we signed the Franchise Agreement or any other binding document (not including any Receipt evidencing our receipt of the Franchise Disclosure Document):

   ____

5. The specific date(s) payment(s) of any kind were made to EC by me/us related to the purchase of this Franchise:

   ____

6. The specific date I/we received access to the completed Operations Manual.

   ________________.

B. Representations and Other Matters:

1. No oral, written, visual or other promises, agreements, commitments, or representations of any type, including but not limited to, any which expanded upon or were inconsistent with Franchise Disclosure Document or Franchise Agreement, have been made to me/us with respect to any matter nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written addendum thereto signed by me/us and the President or Executive Vice President of EC except as follows:

   ____

   ____

   ____

   ____

   (if none, write NONE in your own handwriting)

2. No oral, written, visual or other claim, guarantee or representation (including but not limited to: charts, tables, spreadsheets, or mathematical calculations to demonstrate actual or possible results based on a combination of variables such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), was made to me/us by any person or entity, nor have I/we relied in any way on such, except for the information expressly set forth in ITEM 19 of the Franchise Disclosure Document (or an exhibit referred to therein), if any, except as follows:

____

____

____

(if none, write NONE in your own handwriting)

3. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including, but not limited to, my/our obtaining any financing, my/our selection, purchase, lease or otherwise of a location, any operation matters or otherwise) or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by me/us and the President or Executive Vice President, except as follows:

____

____

____

____

4. If the prospective Franchisee is a business entity, the individuals signing for the "Prospective Franchisee" constitute all of the executive officers, members, managers, partners, shareholders, investors and/or principals (as applicable) of the Prospective Franchisee and each of such individuals has received the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement and each written Addendum or Exhibit.

5. I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or payment of any money, and has strongly recommended that I/we obtain such independent professional advice. I/we have also been advised by the Franchisor to discuss my/our proposed purchase of, or investment in an EC business with one or more existing Franchisees prior to signing any binding documents or payment of any money and I/we have been supplied with a list of existing Franchisees.

6. I/we understand that entry into any business venture involves certain risk of loss or failure. The purchase of an EC business (or any other Franchise) is a speculative investment, that investment beyond the amounts outlined in the Franchise Disclosure Document may be required to succeed. There is no guaranty against possible loss or failure in this or any other business and that the most important factors in my/our success is my/our personal efforts, marketing, sales, management, judgment and other business-related skills.

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all of its statements being true, correct, complete, I/we will make a written statement regarding such next to my signature below so that EC may address and resolve any such issues at this time and before either party moves forward.

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

Date: ______________________________

PROSPECTIVE FRANCHISEE

____
Signature

____
Title

____
Print Name

____
Signature

____
Title

____
Print Name

Office Use Only

Franchisor Representative: ____

Date Received: ______________________

STATE EFFECTIVE DATES

The following states require that the Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Disclosure Document is registered, on file, or is exempt from registration in the following states that have franchise registration and disclosure laws, with the following effective dates:

California	July 19~~20~~, 2024~~3~~
Hawaii	Not Registered
Illinois	July 31~~29~~, 2024~~3~~
Indiana	July 25,2024~~3~~
Maryland	Not Registered
Michigan	July 20,2024~~3~~
Minnesota	July 26~~9~~,2024~~3~~
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	July 31, 2024~~August 11, 2023~~
Washington	Not Registered
Wisconsin	Not Registered

In all other states, the effective date of this Disclosure Document is the issuance date of: July ~~11~~19, ~~2023~~2024.

RECEIPT FOR PROSPECTIVE FRANCHISEE

(SIGN THIS COPY AND KEEP FOR YOUR RECORDS)

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 we offer you a Franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed Franchise sale.

If we do 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, DC 20580, and California Department of Business Oversight, 320 W. 4th St., Suite 750, Los Angeles, California 90013-2344.

EC authorizes the Minnesota Department of Commerce at 85 7th Place East, Suite 280, St. Paul, Minnesota 55101-2198, to receive service of process for EC (see Exhibit G).

Franchise Seller:

Jeff LaBenne
Environment Control
~~6525~~ 6485 North Mineral Drive
Coeur d'Alene, ID 83815
(208) 772-8200, Ext. 148

Issuance Date: July 19, 2024~~11, 2023~~

I received a Disclosure Document dated ____________________ that included the following Exhibits (please check appropriate Franchise Agreement Exhibit):

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement
Exhibit C	Minnesota Addendum
Exhibit D	State Law Addendum
Exhibit E	Promissory Note used for partial financing of the Franchise Fee (see Item 10)
Exhibit F	Development Expense Allocation (see Item 5)
Exhibit G	Names and Addresses of State Regulatory Authorities and Registered Agents in States
Exhibit H	Statement of Franchisee

PROSPECTIVE FRANCHISEE

______________________________ ______________________
Signature Date

____
Title

____
Print Name

RECEIPT FOR FRANCHISOR
(SIGN THIS COPY AND SEND TO ENVIRONMENT CONTROL)

Please immediately sign and fax the Receipt for Franchisor to (208) 772-6045 (Attn: Jeff LaBenne). Also return this page by mail to Jeff LaBenne at Environment Control, P.O. Box 2000, Hayden, Idaho 83835.

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 we offer you a Franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed Franchise sale.

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PROSPECTIVE FRANCHISEE

____
Signature

____
Title

____
Print Name