

FRANCHISE DISCLOSURE DOCUMENT



COIT SERVICES, INC.
a California corporation
897 Hinckley Road
Burlingame, CA 94010
(650) 697-5471
Email: franchise@coit.com
Website URL: www.coit.com

A COIT franchisee sells cleaning services for residential and commercial window coverings, carpets, area rugs, upholstery, air ducts, tile and grout ("Core Services"). Some franchisees also offer disaster restoration services ("Restoration Services") and/or stone cleaning and restoration services ("Stone Restore Services") and wood floor services ("Wood Floor Services").

The total investment necessary to begin operation of a COIT Core Services franchise is: ~~\$63,988 to \$224,988~~~~\$63,188 to~~

~~\$191,988~~ for a new franchise; ~~\$40,596 to \$150,000~~~~\$40,596 to \$150,000~~ for a conversion franchise; and ~~\$45,997 to \$201,500~~~~\$45,997 to \$201,500~~ for a plant conversion franchise. These amounts include ~~\$24,000 – \$60,000~~~~\$24,000 to \$60,000 (depending on the number of households in the territory)~~ that must be paid to the franchisor or its affiliate(s).

The total additional investment necessary to offer Restoration Services is ~~\$34,774 to \$58,788~~~~\$34,774 to \$58,788~~. This includes \$0 to \$8,500 that must be paid to the franchisor or its affiliate(s).

The total additional investment necessary to offer Stone Restore Services is ~~\$25,500 to \$45,000~~~~\$25,500 to \$45,000~~. This includes \$0 to \$8,500 that must be paid to the franchisor or its affiliate(s).

The total additional investment necessary to offer Wood Floor Services is ~~\$15,500 to 32,000~~~~\$15,500 to \$32,000~~. This includes \$0 to \$3,500 that must be paid to the franchisor or its affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Doug Kitzmiller at 897 Hinckley Road, Burlingame, California 94010, (800) 243-8797 (ext. 2004).

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in State where franchised business is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in State where franchised business is located than in your own state.

2. **Mandatory Minimum Payments.** You must make minimum royalty, and other payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.

2.3. **Financial Condition, The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.**

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

Franchise Development Manager, Wesley Coy Perry

Wesley joined us as a Franchise Development Manager in June 2016.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this section.

ITEM 5. INITIAL FEES

Core Services. All COIT franchised businesses must provide all of the Core Services. You will pay an initial nonrefundable franchise fee upon signing the Franchise Agreement calculated as follows: a \$25,000 base fee plus four cents (\$0.05) per household in the Territory you are purchasing. The Initial Fee you pay for Core Service is not fundable. The range of the initial franchise fee is between ~~\$27,000 – \$60,000~~ ~~\$24,000 and \$40,000~~ (and \$24,000 – \$60,000 for a conversion franchise) assuming, at the low end, a territory with 100,000 households and, at the high end, 500,000 households. Household numbers are determined by reference to published U.S. Census Bureau figures. The typical territory contains at least 100,000 households.

Restoration Services. If you are signing the Restoration Addendum, you will pay an additional fee of \$5,000, which is nonrefundable. You must also pay us for the initial Restoration Services training. You or the person responsible for the day-to-day operation of your Restoration Services business must attend. The cost training cost will vary but will not exceed range between \$0 and \$3,500 per person. The Initial Fee you pay for Restoration Services and Restoration Services training is not refundable. You will also be responsible for travel, lodging, and other costs to attend the training. See Item 11 for a more detailed description of the training.

COIT Stone Restore. If you are signing the COIT Stone Restore Addendum, you will pay an additional fee of \$5,000, which is nonrefundable. You must also pay us for the initial COIT Stone Restore training. You or the person responsible for the day-to-day operation of your COIT Stone Restore business must attend. The cost training cost will range between \$0 and \$3,500 per person. The Initial Fee you pay for Stone Restore and Stone Restore training is not refundable. You will also be responsible for travel, lodging, and other costs to attend the training. See Item 11 for a more detailed description of the training.

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Professional Fees (Note 8)	\$500 – \$3,000	Per provider	Per provider	Service provider
Additional Funds – three months (Note 9)	\$15,000 – \$50,000	Cash/open account as negotiated	Per various vendor terms	Vendors/employees
TOTAL	\$63,1988 to \$224,988191, 988			

On Location Service Conversion, Core Services Only:

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	\$24,000 – \$60,000	Note 1	Upon execution of Franchise Agreement	COIT
Advertising and Promotional Costs (Note 2)	\$3,000 – \$15,000	Lump sum or open account	Trade terms	Paid to suppliers as negotiated
Rent (Note 3)	\$ 0 – \$2,000			
Lease Deposit	\$ 0 – \$2,000			
Utility Deposits	\$- 0 -			
Leasehold Improvements	\$- 0 -			
Equipment, Tools and Supplies (Note 4)	\$858 – \$12,000	Lump sum or 3rd party finance	Per vendor or finance company terms	Vendor or third-party finance company
Insurance Deposit	\$ 0 – \$1,000	Lump sum	Per negotiated terms	Insurance carrier

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Utility Deposits	\$- 0 -			
Leasehold Improvements	\$ 0 – \$8,000	Cash/open account	As negotiated	Equipment supplier or third-party finance company
Equipment, Tools and Supplies (Note 4)	\$4,000 – \$40,000	Lump sum or 3rd party finance	Per vendor or finance company terms	Vendor or third party finance company
Insurance Deposit	\$ 0 – \$1,000	Lump sum	Per payee's terms	Insurance carrier
Computer System (Note 6)	\$800 – \$10,000	Lump sum	Before installation of software	Various vendors
Accounting Software	\$997 – \$14,000	Cash/open account	Per vendor terms	Various vendors
Travel/Room/Board for Training (Note 7)	\$2,000 – \$4,000	Cash/open account	Per vendor terms	Various vendors
Additional Funds – three months (Note 9)	\$9,000 – \$40,000	Cash/open account as negotiated	Per various vendor terms	Vendors/employees
TOTAL	\$45,997 to \$188,980 <u>201,500</u>			

Notes:

Except for the initial franchise fee as described in Note 1 below, we do not offer direct or indirect financing for any of your initial investment. All amounts paid to us are nonrefundable. Typically, amounts paid to third parties will not be refundable unless otherwise agreed.

1. The amount of your initial fee will depend upon the number of households in your Territory as described in Item 5. The range is based on the same assumptions described in Item 5 above. If you meet our credit standards and industry experience thresholds, we will finance up to 75% or \$30,000, whichever is less, of the initial franchise fee for a Core Services franchise. The actual amount we will finance and the repayment period will depend upon the number of households in your Territory, your previous employment and business experience; your credit history; the amount, source and character of your assets, debts, and income; and any other factors that may affect your creditworthiness. The repayment period will range from 24 to 48 months. See Item 10 for a more detailed description of the financing we

jurisdiction to arise from Franchisee's proper reliance on or use of procedures or materials provided by Franchisor, or (iii) arising from the occurrence or nonoccurrence of an event determined by a final and non-appealable decision of a court of competent jurisdiction to be proximately caused by Franchisor's failure to comply with the terms and conditions of this agreement.

(b) A Franchisor-Related Person must notify Franchisee in writing of any Claim to which Franchisee's indemnification obligation applies as soon as practicable after the Franchisor-Related Person obtains actual knowledge of the assertion of the Claim. Each of the Franchisor-Related Persons has the right, in its Business Judgment, (i) to retain its own counsel of its own choosing to represent it with respect to any Claim, and (ii) to control the response to any Claim and the defense thereof, including the right to enter into an agreement to settle the Claim. Franchisee may participate, at its own expense, in such defense. Franchisee shall fully cooperate with the Franchisor-Related Persons and their counsel to assist them with the negotiation, settlement or defense of any Claim, and to reimburse the Franchisor-Related Persons for all of their costs and expenses in defending any Claim, including court costs and reasonable attorney fees, within one month after the date Franchisee's receipt of each invoice from an Franchisor-Related Person enumerating its costs, expenses and attorneys' fees.

(c) Franchisee's indemnification obligations in this article 17.3 will continue in full force and effect after and notwithstanding a Transfer or the expiration or termination of this agreement.

ARTICLE 18

GENERAL TERMS

18.1. Integration. This agreement, together with its exhibits, constitutes the entire agreement between the parties relating to the subject matter hereof, and any prior agreements and understandings between the parties relating to the same subject are hereby superseded and merged into this agreement. ~~Nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments. This paragraph is not a disclaimer or waiver by Franchisee of its reliance on any representations made in Franchisor's franchise disclosure document received by Franchisee, or in any exhibit or amendment thereto.~~

18.2. Express Agreement. The parties acknowledge that their business relationship is based solely upon this agreement and agree that it should be enforced according to its express provisions. The language of this agreement is to be construed according to its plain meaning, and not strictly against a party because it drafted this agreement. Neither party intends or expects that either party's rights and obligations in this agreement will be defined or determined to be other than as expressly written, or that additional obligations will be imposed on either party that it has not expressly assumed in writing. It would be contrary to the parties' intentions and expectations to impose any doctrine, rule of interpretation, or implied covenant, such as an "implied covenant of good faith and fair dealing."

18.3. Modification. This agreement may be modified or amended only by a written instrument signed by each of the parties.

18.4. Binding Effect; Assignment. This agreement is binding upon and inures to the benefit of the parties and their respective legal representatives, heirs, successors, and assigns, except that Franchisee may not assign any of its rights or interest in this agreement without first complying with the provisions of article 12.2.

18.5. Article Headings and Numbers. The headings in this agreement are for reference purposes only and do not affect the meaning or interpretation of any provision of this agreement. All references to

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

~~The following additional disclosures are required by the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:~~

~~Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.~~

~~By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates. The Illinois Attorney General's Office has required the deferral of the initial fees based upon our financial condition. Notwithstanding any other provision of the franchise agreement or the disclosure document, you may not pay any initial fees to us or to any affiliate of ours (including, without limitation, initial franchise fees, promissory note payments, branding and marketing fund contributions, and royalties) until we have fulfilled our initial obligations to you under the franchise agreement or other agreements and you have commenced doing business pursuant to the franchise agreement.~~

~~Illinois law governs the Franchise Agreement.~~

~~In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.~~

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

~~In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.~~

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

~~815 ILCS 705/41 provides that any condition, stipulation or provision in the franchise agreement that requires you to waive any of your rights under, or the franchisor's obligation to comply with any provision of, the Illinois Franchise Disclosure Act of 1987, as amended, the Illinois Disclosure Rules and Regulations, or any other law of Illinois, is void.~~

~~Nonrenewal of your franchise must comply with 815 ILCS 705/20. Termination of your franchise must comply with 815 ILCS 705/19.~~

~~Any provision in the franchise agreement that requires the application of the laws of another state is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.~~

~~Any provision in the franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.~~

The Choice of Forum stated in Item 17v is modified to state that

All claims must be brought in San Mateo County, California, or in the County in state of Illinois where your franchise is located.

~~To the extent this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.~~

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND OTHER AGREEMENTS

Payment of Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

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

In conformance with section 41 of the Illinois Franchise Disclosure Act, Page 3 of 3 any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. ~~The Franchise Agreement to which this addendum is attached and any Addendum for Conversion Franchise Addendum for Acquisition of Competing Business, Addendum for Successor Franchise Addendum for Disaster Restoration Services, Addendum for COIT Stone Restore Services Addendum for COIT Wood Floor Services, Hosting Service Agreement, which may have been entered into by and between the below undersigned parties incident to the execution of the Franchise Agreement (collective referred to as the "Franchise Related Agreements") are amended as follows to comply with the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:~~

~~2.— Payment of initial fees will be deferred until Franchisor has fulfilled its pre-opening obligations to franchisee, and the franchise has commenced operations. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the Franchisor's financial condition.~~

~~4.— No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

~~6.— Termination and nonrenewal of the Franchise Agreement must comply with 815 ILCS 705/20.~~

~~8.— A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.~~

~~10.— Any provision in the Franchise Agreement and Franchise Related Agreements that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.~~

~~12. The representations in section 18.14 of the Franchise Agreement do not act as a release, estoppel, or waiver of any claim or liability arising under the Illinois Franchise Disclosure Act.~~

~~Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act and the Illinois Disclosure Rules and Regulations are met independently of this addendum. To the extent this addendum is inconsistent with any term or condition of the Franchise Agreement, Related Franchise Agreements, or its exhibits or attachments, the terms of this addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement and Related Franchise Agreements in all other respects.~~

The parties are signing this addendum concurrently with the Franchise Agreement and Franchise Related Agreements to which it is attached.

COIT SERVICES, INC., **Franchisor:**

FRANCHISEE:

By: _____
Its: _____

By: _____
Its: _____

Date: _____

Date: _____

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Minnesota Franchise Law:

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

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

The Minnesota Department of Commerce requires that the franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes trademark rights of the third party. The franchisor does not indemnify against the consequences of the franchisee's use of the franchisor's trademark except in accordance with the requirements of the franchise.

Minnesota Rules, 1989, Department of Commerce, Chapter 2860, Section 4400D prohibits a franchisor from requiring a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, Section 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes.

Minn. Rule 2860.4400J states that it is unfair and inequitable for a franchisor to require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of Minnesota, or to consent to liquidated damages, termination penalties, or judgment notes. Any language found in the disclosure document or Franchise Agreement contrary to this rule is amended so that it does not apply to Minnesota franchisees.

Minnesota Statute 604.113 limits service charges for nonsufficient funds to \$30. Any language found in the disclosure document or Franchise Agreement contrary to this Statute is amended reduce the services charges to \$30.

Minnesota Statute 80C.17 Subd. 5. provides that no action may be brought more than three years after the cause of action accrues. Any language found in the disclosure document or Franchise Agreement contrary to this Statute is amended to provide a limitation on action up to three years after the cause of action accrues.

THE STATE OF MINNESOTA HAS STATUTES WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF MINNESOTA ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. WITH RESPECT TO FRANCHISES GOVERNED BY MINNESOTA LAW, THE FRANCHISOR MUST COMPLY WITH MINNESOTA STATUTE 80C.14, SUBDIVISIONS 3, 4 AND 5, WHICH REQUIRE, EXCEPT IN CERTAIN SPECIFIC CASES, THAT A FRANCHISEE BE GIVEN 90 DAYS NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS NOTICE FOR NON- RENEWAL OF THE FRANCHISE AGREEMENT. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF MINNESOTA HAS COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Franchise Agreement and Item 5 is amended as follows:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Documents 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.

The Franchise Disclosure Document is registered on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State Effective Date	State Effective Date
California	<u>July 25, 2025</u>
Hawaii	
Illinois	
Indiana	July 03 2024
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	<u>July 22, 2024</u>
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.