

## FRANCHISE DISCLOSURE DOCUMENT



### **Bar-B-Clean Franchising Inc.**

a California corporation  
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Yorba Linda, California 92887  
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[www.bar-b-cleanfranchising.com](http://www.bar-b-cleanfranchising.com)

Bar-B-Clean franchisees operate mobile businesses that clean and service barbecues for residential and commercial customers within a specific geographic area (“Bar-B-Clean Business(es)”). We offer franchises for single Bar-B-Clean Businesses and for multi-unit franchises for the right to open multiple Bar-B-Clean Businesses.

The total investment necessary to begin operation of a Bar-B-Clean franchised business is between \$78,200 and \$99,120. This includes \$54,500 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a Bar-B-Clean franchised business with an optional expanded territory is \$78,200 to 136,620. This includes \$92,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of two Bar-B-Clean franchised businesses under a multi-unit franchise is between \$148,900 and \$190,740. This includes \$101,500 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of ten Bar-B-Clean franchised businesses under a multi-unit is between \$624,500 and \$833,700. This includes \$387,500 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that 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 Bryan Weinstein at 5390 Los Monteros, Yorba Linda, California 92887, 888-551-8690 or [bryan@bar-b-clean.com](mailto:bryan@bar-b-clean.com).

The terms of your contract will govern your franchise relationship. Do not 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-FTCHELP, 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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



Issuance Date: April 26, ~~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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Bar-B-Clean business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Bar-B-Clean franchisee?</b>	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document 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 franchise agreement may allow the franchisor 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 franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement 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 franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement 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 franchise agreement 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 franchisors 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 D.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.



## 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 California. 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 California than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **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.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments, may result in termination of your franchise and loss of your investment.
5. ~~**Turnover Rate.** During the last 3 years, a high percentage of franchised outlets were terminated. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.~~

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



## NOTICE REQUIRED BY

### STATE OF MICHIGAN

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. 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 terms 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 six 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 or 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 which 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 subfranchisor.



(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 which 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 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 Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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 MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**



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**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “BFI,” “we,” “us,” and “our” means Bar-B-Clean Franchising Inc., the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from BFI.

The Franchisor

BFI is a corporation formed in California on December 17, 2012. We operate under the name Bar-B-Clean Franchising Inc., Bar-B-Clean and The Barbecue Cleaning Company. Our principal business address is 5390 Los Monteros, Yorba Linda, California 92887. We offer franchises (“Bar-B-Clean Franchises” or “Franchises”) for Bar-B-Clean Businesses and have done so since March 2013. We have not and do not conduct business under any other name or in any other line of business and we do not offer franchises in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document. We have no parents or predecessors.

We have one affiliate, CNC Financial. CNC Financial is the only approved supplier of our proprietary cleaning product (the “Bar-B-Clean Cleaner”) and of the “Franchise Equipment Package” discussed in Item 5. CNC Financial has also operated a Bar-B-Clean Business since 2013 (it previously operated under the name The Barbeque Cleaning Company from 2011 to 2013 when it changed its name to Bar-B-Clean). CNC Financial has owned a soccer training franchise since 2011. CNC Financial’s principal business address is 254 62<sup>nd</sup> Street, Newport Beach, California 92663 and it does not and has not offered or sold franchises in any line of business.

Our agent for service of process in California is Bryan Weinstein, 5390 Los Monteros, Yorba Linda, California 92887. Our agents for service of process for other states are identified by state in Exhibit D. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

The Franchise

Bar-B-Clean franchisees operate mobile businesses that provide on-site cleaning, servicing and polishing of commercial and residential barbecues. Bar-B-Clean Businesses use the Bar-B-Clean trademarks, service marks, trade names and logos (the “Marks”) and operate under our proprietary system (“System”). A Bar-B-Clean Business is a mobile business, so you will most likely operate your Franchise from your home, but you may choose to rent an executive suite office or other commercial office or retail space.

You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit A (“Franchise Agreement”). You may operate one Bar-B-Clean Business for each Franchise Agreement you sign.

We offer franchises for single Bar-B-Clean Businesses and for multi-unit franchises for the right to open multiple Bar-B-Clean Businesses. If you purchase multiple Franchises at the same time, you will sign the “Multi-Franchise Addendum” attached to this Franchise Disclosure Document in Exhibit H-6 and the Bar-B-Clean Franchise Agreement. There is no development territory or development schedule to open additional Bar-B-Clean Businesses. The maximum number of Bar-B-Clean Businesses you may open under a Multi-Franchise Addendum is ten. Prior to opening each additional Bar-B-Clean Business



under the Multi-Franchise Addendum, you must sign the then-current Bar-B-Clean Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

The Multi-Franchise Addendum supplements the terms of the Franchise Agreement in relation to the opening of additional Bar-B-Clean Franchises. You are not granted any territorial rights or any other rights except those granted under the Franchise Agreements for the additional Bar-B-Clean Businesses.

### Market and Competition

The primary market for the goods and services offered by the Bar-B-Clean Businesses is the general public. The goods and services offered by Bar-B-Clean Businesses can be seasonal. We have noticed a tendency of more business in warmer months, when people use outdoor barbecues more, compared to cooler months when there is not as much usage of outdoor barbecues. You will compete with other businesses that offer barbecue cleaning. You may also compete with businesses that perform general cleaning services. You may have to compete with other independent and chain-affiliated businesses, some of which may be franchised.

### Industry-Specific Laws

We are not aware of any state regulations that apply specifically to the business of barbecue cleaning. You must obtain all necessary permits, licenses, and approvals to operate your Bar-B-Clean Business. You are responsible for checking the laws of the state in which your Bar-B-Clean Business is located to see if you need to be licensed. There may be other regulations that establish certain standards, specifications, and requirements that must be followed by you. You are responsible for investigating, understanding, and complying with all applicable laws, regulations, and requirements applicable to you and your Bar-B-Clean Franchise. You should consult with a legal advisor about whether these and/or other requirements apply to your Bar-B-Clean Business.

## **ITEM 2 BUSINESS EXPERIENCE**

### Director, President and Chief Financial Officer: Bryan Weinstein

Mr. Weinstein is our Director, President and Chief Financial Officer in Newport Beach, California and has been so since our inception in December 2012. Mr. Weinstein is also the Director, President and owner of CNC Financial in Newport Beach, California and has been so since July 2008.

### Secretary: Gina Weinstein

Ms. Weinstein is our corporate secretary and has been so since December 2012 in Newport Beach, California. Ms. Weinstein is also a dance instructor at I Love Dance in Orange County, California and has been so since September 2011.

### Operations Manager: Jay Mojica

Mr. Mojica is our Operations Manager in Lake Forest, California and has been since July 2017.



**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

Initial Franchise Fee

You must pay us an initial franchise fee (“Initial Franchise Fee”) when you sign the Franchise Agreement. The Initial Franchise Fee is payment for all of our pre-opening assistance that we provide to allow you to open your Bar-B-Clean Business and also offsets some of our franchisee recruitment expenses.

The Initial Franchise Fee for a standard territory with up to 75,000 qualified households (“Territory”) is \$49,500. “Qualified Household(s)” are households that are owner-occupied with a household income of \$60,000 or more. If, at the time you sign your Franchise Agreement, you wish to increase your Territory, the Initial Franchise Fee will be increased by an amount equal to the number of Qualified Households in your Territory beyond 75,000 at the time of signing the Franchise Agreement (including Franchise Agreements signed under a Multi-Franchise Addendum as defined below), multiplied by \$1.50 (“Optional Expanded Territory Fee”). The grant of an expanded territory is subject to the market type, availability, and our approval. We generally do not allow a franchisee to increase the size of its Territory to more than 100,000 total Qualified Households.

For franchisees awarded multiple units or existing franchisees in good standing who decide to purchase additional territories, the Initial Franchise Fee will be as follows:

Bar-B-Clean Business	Initial Franchise Fee per Bar-B-Clean Business	Total Initial Franchise Fee
1 <sup>st</sup>	\$49,500	\$49,500
2 <sup>nd</sup>	\$42,000	\$91,500
3 <sup>rd</sup>	\$38,000	\$129,500
4 <sup>th</sup>	\$34,000	\$163,500
5 <sup>th</sup>	\$30,000	\$193,500
6 <sup>th</sup>	\$30,000	\$223,500
7 <sup>th</sup>	\$30,000	\$253,500
8 <sup>th</sup>	\$28,000	\$281,500
9 <sup>th</sup>	\$28,000	\$309,500
10 <sup>th</sup>	\$28,000	\$337,500

If you purchase multiple franchises at the same time, you will sign a multi-franchise addendum (“Multi-Franchise Addendum”). There is no development territory or development schedule to open additional Bar-B-Clean Businesses; however, you will sign a separate Franchise Agreement for each Bar-B-Clean Business. Other than the Initial Franchise Fee listed above for the number of Franchises you are



purchasing, you will not be required to pay a separate Initial Franchise Fee for these Franchise Agreements (all other fees will apply). The maximum number of Bar-B-Clean Businesses you can open under a Multi-Franchise Addendum is ten.

We have a veteran initiative program (“Veteran Initiative Program”). Under this program, honorably discharged veterans of the United States armed forces and their spouses receive a 10% discount on the Initial Franchise Fee for the first Bar-B-Clean Franchise purchased (“Veteran Discount”).

The Initial Franchise Fee is uniform, denoted, and payable when you sign your Franchise Agreement, and is non-refundable.

During our fiscal year ended December 31, ~~2023~~2022, we ~~did not collect any~~collected Initial Franchise Fees of \$49,500.

Franchise Equipment Package

We require all franchisees to purchase a “Franchise Equipment Package” of start-up items from our affiliate CNC Financial for \$5,000. The Franchise Equipment Package will be delivered to you before you begin initial training. The Franchise Equipment Package includes equipment, supplies, initial marketing materials and two cases (24 cans) of Bar-B-Clean Cleaner. The Franchise Equipment Package payments are uniform, non-refundable and due when you sign the Franchise Agreement.

Financial Assurances

Some states have imposed a financial assurance. Please refer to the State Addendum in Exhibit G to the Franchise Disclosure Document.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty <sup>(2)</sup>	The greater of 6% of monthly Gross Revenue <sup>(2)</sup> or \$500 per month (“ <u>Minimum Royalty</u> ”)	Due by the 5 <sup>th</sup> of each month	Your “ <u>Royalty</u> ” is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance. The Royalty is based on Gross Revenue (as described in Note 2). You will not be required to pay the Minimum Royalty for the first six months of the term of your Franchise Agreement.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Brand Fund Contribution	<del>Currently not assessed (up to 2% of your Gross Revenue if established)</del>	Same as Royalty	<del>We do not currently charge this fee. If a brand fund is established, this</del> This contribution will be used for a system-wide “ <u>Brand Fund</u> ” for our use in promoting and building the Bar-B-Clean brand. Also, if you fail to meet your required local advertising requirement for local advertising, we may require you to pay us the difference between the amount you spent and the required local advertising expenditure, which will be contributed to us; <del>or if established, the Brand Fund.</del>
Local Advertising Payment	The difference between the amount you spent on local advertising each month and your required local advertising expenditure (an average of \$1,000 per month each year)	Payable after receipt of invoice	If you fail to meet your required local advertising requirement on local advertising, we may require you to pay the difference between the amount you spent and the required advertising expenditure (an average of \$1,000 per month each year), which will be contributed to the Brand Fund; <del>if established, or us.</del>
Local and Regional Advertising Cooperatives	Currently not assessed. (If established, the contribution will be decided by cooperative members, between 1% and 3% of Gross Revenue)	Established by cooperative members	We currently do not have a cooperative but reserve the right to require one to be established in the future. Each Bar-B-Clean Business we own that exists within the cooperative’s area will contribute to the cooperative on the same basis as franchisees. We anticipate that each Bar-B-Clean franchisee and each Bar-B-Clean Business that we own will have one vote for each Bar-B-Clean operated in the designated market. Item 11 contains more information about advertising cooperatives.
Unauthorized Advertising Fee	\$500 per occurrence	On demand	This fee is payable to us or; <del>if established, the Brand Fund;</del> if you use unauthorized advertising in violation of the terms of the Franchise Agreement.
Insurance Reimbursement	Reimbursement of our costs, plus a 20% administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance.
Additional Training or Assistance Fees	Then-current fee (currently \$500 per attendee per day for additional training)	As incurred	We provide initial training at no charge for one person. We may charge you for training additional persons, newly-hired personnel, refresher training courses, advanced training courses, and additional or special assistance or training you need or request.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Technology Fee <sup>(3)</sup>	The then-current fee (currently \$400 <u>500</u> per year)	May 31 <sup>st</sup> of every year	This fee covers certain technologies used in the operation of your Bar-B-Clean Business. This fee may include fees paid to third-party vendors and it may be adjusted to reflect their price increases. You will also be responsible for any increase in fees that result from any upgrades, modifications or additional software or from increases from third-party vendors. We reserve the right to increase this fee up to \$1,000 per year upon 30 days' written notice to you.
Convention Fee	The then-current fee (currently estimated to be \$100 per person)	On demand	Payable to us to help defray the cost of your attendance at any annual convention that we choose to hold. This fee is due regardless of whether or not you attend our annual convention in any given year.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$500)	As incurred	Payable if we inspect a new product, service, or proposed supplier nominated by you.
Replacement of Brand Standards Manual	\$500	On demand	Payable if your copy of the Brand Standards Manual is lost, destroyed, or significantly damaged.
Customer Issue Resolution	The actual costs we incur for responding to a customer complaint, which will typically be between \$20 and \$100, including administrative expenses	On demand	Payable if a customer of the Bar-B-Clean Business contacts us with a complaint and we provide a gift card, refund, or other value to the customer as part of our addressing the issue.
Payment Service Fee	Up to 3% of total charge	As incurred	If payment is made to us or our affiliate by credit card for any fee required, we may charge a service charge of up to three percent (3%) of the total charge.
Late Payment Fee	\$100 per occurrence, plus lesser of the daily equivalent of 12% per year simple interest or the highest rate allowed by law	As incurred	Payable if any payment due to us or our affiliates is not made by the due date. Interest accrues from the original due date until payment is received in full.
Non-Sufficient Funds Fee	Lesser of \$50 per occurrence or highest amount allowed by law	As incurred	Payable if any check or electronic payment is not successful due to insufficient funds, stop payment, or any similar event.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Failure to Submit Required Report Fee	\$100 per occurrence and \$100 per week	Your bank account will be debited for failure to submit any requested report within five days of request	Payable if you fail to submit any required report or financial statement when due. Fines collected are paid to the Brand Fund, <del>if established</del> , or us. You will continue to incur this fee until you submit the required report.
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting and legal expenses (we estimate this cost to be between \$1,000 and \$5,000)	On demand	You will be required to pay this if an audit reveals that you understated weekly Gross Revenue by more than two percent (2%) or you fail to submit required reports.
Management Fee	<del>\$250</del> Then current fee, currently \$500 per day, plus costs and expenses	As incurred	Payable if we manage the Bar-B-Clean Business because you are in breach of the Franchise Agreement, or other reasons described in the Franchise Agreement.
Professional Fees and Expenses	Will vary under circumstances	As incurred	You must reimburse us for any legal or accounting fees that we incur as a result of any breach or termination of your Franchise Agreement. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Indemnification	Our actual costs	As incurred	You must indemnify and reimburse us for all costs and expenses, including court costs and professional fees that we or our representatives incur related in any way to your Bar-B-Clean Business or Franchise.
Renewal Fee	\$10,000	At the time you sign the new franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement.
Transfer Fee	\$10,000 plus any applicable broker fees (see Broker Fees below)	\$1,000 non-refundable deposit at time of transfer application submittal and the remaining balance of fee at time of the approved transfer	Payable in connection with the transfer of your Bar-B-Clean Business, a transfer of ownership of your legal entity, or a transfer of the Franchise Agreement. Transfer fees are subject to state law.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Broker Fees	Our actual cost of the brokerage commissions, finder's fees, or similar charges	As incurred	If you transfer your Bar-B-Clean Business to a third party or purchaser, you must reimburse all of our actual costs for commissions, finder's fees and similar charges.
Liquidated Damages	Will vary under the circumstances. Liquidated damages are determined by multiplying the combined monthly average of Royalties and Brand Fund contributions (without regard to any fee waivers or other reductions) that are owed by you to us, beginning with date you open your Bar-B-Clean Business through the date of early termination, multiplied by the lesser of: (i) 36, or (ii) the number of full months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$20,000.	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause.

Notes:

- All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (“EFT”) or other similar means. You are required to complete the EFT authorization (in the form attached to this Franchise Disclosure Document in Exhibit H). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. If you enter into a Multi-Franchise Addendum to operate multiple Bar-B-Clean Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each Bar-B-Clean Businesses. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement. Also, any fee expressed as a fixed dollar amount is subject to adjustment based on changes to the Consumer Price Index (“CPI”) in the United States. We may periodically review and increase these fees based on changes to the CPI (in addition to any



other increase), but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of your Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one CPI-related fee adjustment during any calendar year.

2. “Gross Revenue” means the revenue you receive from the sale of all goods, products and services sold at, from, or through your Bar-B-Clean Business and all other income, revenue and consideration of every kind and nature related to the Bar-B-Clean Business, whether for cash or credit, and regardless of collection in the case of credit, and all proceeds from any business interruption insurance, but not including: (a) any sales taxes or other taxes you collect from customers for, and thereafter paid directly to, the appropriate taxing authority; and (b) any bona fide refunds you make to customers. You may deduct from Gross Revenue the direct, wholesale cost of acquiring approved goods and products that you have actually sold through your Bar-B-Clean Business as long as you provide us with verifiable documentation of such costs you incurred. Gross Revenue includes the full redemption value of any gift certificate or coupon sold for use at your Bar-B-Clean Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from this calculation), whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property, or other means of exchange. Gross Revenue is deemed received by you at the time the services or products from which they were derived are delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on an account receivable) actually has been received by you.
  
3. Technology Fee. We will provide you with certain technical services in exchange for your yearly technology fee, which may change from time to time based on changes to the technical services we provide and/or our costs to provide these services. The current technology fee is ~~\$400~~500 per year, and shall be prorated based on the number of months that you were in operation during the year. We reserve the right to license, sublicense, and create software and technology that Bar-B-Clean franchisees must pay for and use. We can change the software and technology that must be used by our franchisees at any time, which may result in changes to the technology fee.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$49,500	\$49,500	Lump Sum	When you sign the Franchise Agreement	Us
Real Estate and Improvements <sup>(2)</sup>	\$0	\$2,000	As Incurred	Before Opening	Third Parties
Franchise Equipment Package <sup>(3)</sup>	\$5,000	\$5,000	Lump Sum	When you sign the Franchise Agreement	Our affiliate
Computer Equipment <sup>(4)</sup>	\$0	\$1,000	As Incurred	Before Opening	Third Parties



Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Grand Opening Advertising <sup>(5)</sup>	\$3,000	\$5,000	As Incurred	Before Opening	Third Parties
Insurance <sup>(6)</sup>	\$300	\$1,000	As Incurred	As Incurred	Insurance Company
Professional Fees <sup>(7)</sup>	\$650	\$1,500	As Incurred	As Incurred	Your Attorneys, Advisors, CPAs And Other Professionals
Business Licenses and Permits <sup>(8)</sup>	\$0	\$300	As Required	As Incurred	Government Agencies
Training <sup>(9)</sup>	\$1,000	\$2,500	As Required	As Incurred	Providers of Travel, Lodging, and Food Services
Signage <sup>(10)</sup>	\$750	\$2,000	As Required	Before Opening	Third Parties
Vehicle <sup>(11)</sup>	\$10,000	\$15,000	As Incurred	As Incurred	Third Parties
Miscellaneous Opening Costs <sup>(12)</sup>	\$0	\$1,320	As Incurred	Before Opening	Third Parties, including Utility Companies
Additional Funds –3 Months <sup>(13)</sup>	\$8,000	\$13,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT <sup>(14)</sup>	\$78,200	\$99,120			
Optional Expanded Territory Fee <sup>(1)</sup>	\$0	\$37,500	Lump Sum	When you sign the Franchise Agreement	Us
TOTAL ESTIMATED INITIAL INVESTMENT WITH OPTIONAL EXPANDED TERRITORY <sup>(15)</sup>	\$78,200	\$136,620			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Bar-B-Clean Franchise. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. Initial Franchise Fee and Optional Expanded Territory Fee. The Initial Franchise Fee for a standard territory with up to 75,000 Qualified Households is \$49,500 for the purchase of a single Bar-B-Clean Business. If you desire to purchase a Franchise with a larger territory (including under a Multi-Franchise Addendum), up to a maximum of 100,000 Qualified Households, the Optional Expanded Territory Fee is calculated at a rate of \$1.50 per additional Qualified Household above 75,000 Qualified Households. If you purchase multiple Franchises under a Multi-Franchise Addendum, the only additional initial cost that you will incur over the purchase of a single Franchise will be the increase in Initial Franchise Fee (plus any Expanded Territory Fee) until you



open the additional Bar-B-Clean Businesses. See Item 5 for the Initial Franchise Fee amounts for multiple Franchises. Once you open additional Bar-B-Clean Businesses, you will incur the costs listed in this Item 7 (except for the Initial Franchise Fee) at the time you open the additional Bar-B-Clean Businesses. These costs may increase in the future depending on when you open the additional Bar-B-Clean Businesses. We offer a Veteran Initiative Program with a 10% Veteran Discount off the Initial Franchise Fee.

2. Real Estate and Improvements. Because most of our franchisees will operate their Bar-B-Clean Business out of their residence, the low estimate does not include estimates for items such as real property, real estate deposits, leases, leasehold improvement, furniture, fixtures, fixed assets, remodeling, construction, decorating costs, utility deposits, or security deposits. The high estimate provides for approximately three months' rent for an executive office or small office location.
3. Franchise Equipment Package. The Franchise Equipment Package includes equipment, supplies, Bar-B-Clean Cleaner, and initial marketing materials for the operation of your Bar-B-Clean Business.
4. Computer Equipment. We provide with an initial license to our proprietary customer relationship management software (“CRM”) at no charge. Our CRM is web-based. You will need a computer or tablet that is capable of connecting to the Internet. The low end estimate assumes you are using a computer or tablet that you already own.
5. Grand Opening Advertising. We require you to spend at least \$3,000 for grand opening advertising before opening and during the first 30 days of operation. You must get our prior approval to your grand opening advertising.
6. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. This estimate is for a quarterly payment. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Bar-B-Clean Business, your rates may be significantly higher than those estimated above.
7. Professional Fees. We strongly recommend that you hire a lawyer, accountant or other professional to advise you on this Franchise offering and to assist you in setting up your Bar-B-Clean Business. Rates for professionals can vary significantly based on area and experience.
8. Business Licenses and Permits. The low estimate assumes a business license or permit is not required where your Bar-B-Clean Business is located. We have encountered specific cities/counties that have not required business licenses or permits, including sales tax permits, for the services provided by a Bar-B-Clean Business. You are responsible for checking the laws of the state in which your Bar-B-Clean Business is located to see if you need a business license or permit.
9. Training. We provide training at our training center in Orange County, California or at another location designated by us. You must pay for airfare, meals, transportation costs, lodging and incidental expenses for all initial training program attendees. Initial training is provided at no charge for one person, which must be a designated owner or designated manager. If additional initial training is required, or more people must be trained, an additional fee will be assessed.
10. Signage. This estimate is for signage or wraps for your vehicle and yard signs.



11. Vehicle. This item includes one vehicle which you will use in the operation of the Bar-B-Clean Business (“Vehicle”). You may use a vehicle you currently own as your Vehicle, provided it meets our specifications, and that we approve your Vehicle prior to use; otherwise you will be required to lease or purchase a Vehicle. The body of the Vehicle must be clean and free of any major or minor damage. The low estimate assumes you use a vehicle you currently own as the Vehicle and the high estimate estimates the total payments for the first three months for a leased Vehicle at a low interest rate. This chart does not include estimates for purchasing a Vehicle, but does include estimates for acquiring a license, insurance, registration, or other permits for your Vehicle, wrapping your Vehicle, or otherwise making improvements to your Vehicle. If you purchase the Vehicle, your initial investment will be higher than the figures listed in the chart. We reserve the right to revoke our approval of a Vehicle should the Vehicle no longer meet our minimum standards.
12. Miscellaneous Opening Costs. This estimate includes office supplies, and mobile telephone fees. The low estimate assume you already have a mobile phone and office supplies.
13. Additional Funds – 3 Months. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month period following opening of your Bar-B-Clean Business. They include payroll costs during the first three months of operation, but not any draw or salary for you. These figures do not include standard pre-opening expenses, Royalties, technology fee or advertising fees payable under the Franchise Agreement or debt service, and assume that none of your expenses are offset by any sales generated during the start-up phase. We have elected to include certain fees as line items above, including any real estate expenses and insurance payments. These fees could also be included in our Additional Funds amounts. For purposes of this disclosure, we estimated the initial period to be three months from the date your Bar-B-Clean Business opens for business. Our estimates are based on our experience, the experience of our affiliates and franchisees, and our current requirements for Bar-B-Clean Franchises.
14. This is an estimate of your initial start-up expenses for one Bar-B-Clean Franchise. If you purchase multiple Franchises under a Multi-Franchise Addendum, these costs may increase in the future depending on when you open each additional Bar-B-Clean Business. ~~You should review these figures carefully with a business advisor before making any decision to purchase the Franchise.~~
15. This is an estimate of your initial start-up expenses for one Bar-B-Clean Franchise with an optional expanded territory of up to 100,000 Qualified Households. The estimates for initial start-up expenses for multiple Bar-B-Clean Franchises under a Multi-Franchise Addendum do not include an Optional Extended Territory Fee. If you purchase multiple Franchises under a Multi-Franchise Addendum, these costs may increase in the future depending on when you open each additional Bar-B-Clean Business. ~~You should review these figures carefully with a business advisor before making any decision to purchase the Franchise.~~
16. If you purchase multiple Bar-B-Clean Businesses under a Multi-Franchise Addendum, you will incur all of the costs listed above for each Bar-B-Clean Business you open except that the Initial Franchise Fee will be as listed below:

Number of Bar-B-Clean Businesses	Initial Franchise Fee	Estimated Initial Expense <sup>(13)(14)</sup>	
		Low	High



Number of Bar-B-Clean Businesses	Initial Franchise Fee	Estimated Initial Expense <sup>(13)(14)</sup>	
		Low	High
2	\$91,500	\$148,900	\$190,740
3	\$129,500	\$215,600	\$278,360
4	\$163,500	\$278,300	\$361,980
5	\$193,500	\$337,000	\$441,600
6	\$223,500	\$395,700	\$521,220
7	\$253,500	\$454,400	\$600,840
8	\$281,500	\$511,100	\$678,460
9	\$309,500	\$567,800	\$756,080
10	\$337,500	\$624,500	\$833,700

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

Standards and Specifications

You must operate your Bar-B-Clean Business according to our System and specifications. This includes purchasing or leasing goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Bar-B-Clean Franchise under our specifications, which may include purchasing these items from: (i) our designees, (ii) approved suppliers, and/or (iii) us or our affiliates. You must not deviate from these methods, standards and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential operations manual (“Brand Standards Manual”) states our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Bar-B-Clean Franchise and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Brand Standards Manual or through other written communication (including electronic communication such as email or through a system-wide intranet).

You must purchase, install, maintain in sufficient supply and use, fixtures, furnishings, equipment, signs and supplies we may list in the Brand Standards Manual or otherwise in writing that conform to any accompanying standards and specifications.

You must use the computer hardware and software that we periodically designate to operate your Bar-B-Clean Franchise. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify.



You must obtain the insurance coverage required under the Franchise Agreement, which currently requires: (1) comprehensive general liability coverage, including products liability coverage, and liability coverage of owned and non-owned automobiles, under one or more policies of insurance containing minimum liability coverage of \$1,000,000 per occurrence for bodily injury and property damage, and multi-peril package, and umbrella coverage of an additional \$1,000,000; (2) business interruption for a period adequate to re-establish normal business operations; (3) workers' compensation and employer's liability insurance as well as any other insurance that may be required by statute or rule in the state in which your Bar-B-Clean Business is located; and (4) any other insurance that we may require in the future or that may be required according to the terms of your lease. The insurance company must be authorized to do business in the state where your Bar-B-Clean Business is located, and must be approved by us. It must also be rated "A" or better by A.M. Best & Company, Inc.

We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties and state that we will receive at least 30 days prior written notice of any intent by the insurer to reduce coverage or policy limits, cancel or amend the policy.

#### Purchases from Approved Suppliers

We will provide you with a list of our designated and approved suppliers in our Brand Standards Manual. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for services and products that require supplier approval), you must notify us and submit to us the information, specifications and samples we request. We will use commercially reasonable efforts to notify you within thirty (30) days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. We reserve the right to charge a fee to evaluate the proposed product, service or supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to Bar-B-Clean Franchises to ensure timely deliveries of the product or services; (5) the dependability of the supplier; and (6) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products and we reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

We estimate that approximately 25% of your expenditures for purchases and leases required to open your Bar-B-Clean Business and 20% of your expenditures for purchases and leases required to operate your Bar-B-Clean Business will be from us or from other approved suppliers or under our specifications. We and our affiliates may receive rebates from some suppliers based on your purchase of services and products and we have no obligation to pass them on to our franchisees or use them in any particular manner.

Our officers have an equity interest in our affiliate CNC Financial, which is currently the only approved supplier of Bar-B-Clean Cleaner and the Franchise Equipment Package. During the last fiscal year, ending December 31, ~~2023~~2022, CNC Financial's revenue from required purchases by franchisees was \$1,852,280,900. We are not currently an approved supplier of any products or services provided to franchisees. We reserve the right to become approved supplier in the future. During our last fiscal year, ending December 31, ~~2023~~2022, we did not derive any revenue from the sale or lease of products or services to franchisees, and we didn't receive rebates from approved suppliers.



We may negotiate purchase arrangements with suppliers and distributors for the benefit of our franchisees and we may receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you. We currently do not have any purchasing or distribution cooperatives.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 3	Items 7, 11, 12 and 16
b. Pre-opening purchases/leases	Section 7, 11, 12 and 14	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 3 and 12	Items 7 and 11
d. Initial and ongoing training	Sections 5, 7 and 8	Items 5, 6, 7 and 11
e. Opening	Sections 7 and 11	Items 6,7, 9 and 11
f. Fees	Sections 4, 5, 6, 8, 11, 12, 14, 16, 17, 20, 21 and 22	Items 5, 6, 7 and 11
g. Compliance with standards and policies/Brand Standards Manual	Sections 6.2, 8, 11, 12, 16, 18 and 22	Items 8, 11, 14 and Exhibit F
h. Trademarks and proprietary information	Sections 15, 18 and 22	Items 13 and 14
i. Restrictions on products/services offered	Section 12	Items 8 and 16
j. Warranty and customer service requirements	Section 6.3 and 12	Items 1 and 11
k. Territorial development and sales quotas	Section 3	Items 1, 11, 12 and Exhibit A
l. On-going product/service purchases	Section 12	Items 8 and 16
m. Maintenance, appearance, and remodeling requirements	Sections 4.2, 12 and 20.2	Items 7, 8 and 11
n. Insurance	Section 7, 12 and 16.1	Items 6, 7 and 8
o. Advertising	Sections 11, 12 and 13	Items 11, 13 and 14
p. Indemnification	Section 19	Not Applicable
q. Owner's participation/management and staffing	Section 8	Items 11, 15 and 17
r. Records and reports	Section 16	Item 6 and 11
s. Inspections and audits	Section 17	Items 6 and 11
t. Transfer	Section 20	Item 17
u. Renewal	Section 4	Item 17
v. Post-termination obligations	Section 22	Item 17
w. Non-competition covenants	Sections 15 and 22	Item 17 and Exhibit H-2
x. Dispute resolution	Section 22.4	Item 17



## **ITEM 10 FINANCING**

We do not offer direct or indirect financing to you. We do not guarantee your note, lease, or obligation.

## **ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM AND TRAINING**

**Except as listed below, BFI is not obligated to provide you with any assistance.**

### Pre-opening Obligations

Before you open your Bar-B-Clean Business, we (or our designee) will provide the following assistance and services to you:

1. Provide an initial training program (See Franchise Agreement- Section 5.1).
2. Loan you one copy of the Brand Standards Manual. The Brand Standards Manual contains approximately 127 pages. The table of contents for the Brand Standards Manual is attached to this Franchise Disclosure Document as Exhibit F (See Franchise Agreement- Section 6.2).
3. Because you do not have to locate a site from which to operate your Bar-B-Clean Business, we do not provide you with assistance in doing so. You may open an office, but it is not required. You will not need our approval of a site if you choose to open an office (See Franchise Agreement – Section 3).
4. Identify equipment and supplies you need for the business, and identify approved suppliers and approved supplies, including providing the Franchise Equipment Package (See Franchise Agreement-Section 12). If you choose to operate from an office space, you must purchase and install, at your own cost, all fixtures, furnishings, equipment, supplies and signage in conformance with the Brand Standards Manual and our specifications and requirements. We can be an approved supplier or the sole supplier for any one or more items or services. Currently, CNC Financial is the sole approved supplier for Bar-B-Clean Cleaner and the Franchise Equipment Package. We will provide you with two cases of Bar-B-Clean Cleaner as part of the Franchise Equipment Package.
5. Designate your territory before you sign the Franchise Agreement (See Franchise Agreement – Section 3 and Attachment A).
6. Provide you with consultation in connection with the grand opening marketing for your Bar-B-Clean Business (See Franchise Agreement – Section 11.2 and 11.3).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Bar-B-Clean Businesses.

### *Schedule for Opening*

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of the Bar-B-Clean Business can vary from six to eight weeks. This estimate assumes that you will be working from your home or already have a site for the Bar-B-Clean Business or that you will identify one shortly after signing the Franchise Agreement. Some factors, which may affect this



timing, are your ability to secure any necessary financing, your ability to obtain any necessary permits and certifications, the time to complete required training, the timing of the delivery of any inventory or equipment, whether you have a vehicle or when you obtain one, and hiring and training of your staff. You will begin the onboarding process immediately after signing the Franchise Agreement. The onboarding process lasts approximately four weeks and you must attend the initial training program as soon as the onboarding process is complete. Once you have completed the initial training program, we consider your Bar-B-Clean Business to be open and operating. You are required to open your Bar-B-Clean Business within two months of signing the Franchise Agreement.

### Continuing Obligations

During the operation of your Bar-B-Clean Business, we (or our designee) will provide the following assistance and services to you:

1. Inform you of mandatory specifications, standards and procedures for the operation of your Franchise (See Franchise Agreement- Sections 6.2 and 12).
2. Upon reasonable request, provide advice regarding your Bar-B-Clean Business's operation based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods in our discretion (See Franchise Agreement- Section 6.4).
3. Provide you with advice and guidance on advertising and marketing (See Franchise Agreement-Sections 11.2).
4. Provide additional training to you for newly-hired personnel on the Bar-B-Clean brand and System guidelines, refresher training courses and additional training or assistance that, in our discretion, you need or request. You may be required to pay additional fees for this training or assistance (See Franchise Agreement-Section 6).
5. Allow you to continue to use confidential materials, including the Brand Standards Manual and the Marks (See Franchise Agreement-Sections 6.2 and 18).
6. Provide you with continued access to the CRM pursuant to the terms of the CRM license agreement (See Franchise Agreement-Section 12.5).

### Optional Assistance

During the term of the Franchise Agreement, we (or our designee) may, but are not required to, provide the following assistance and services to you:

1. Modify, update or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment or new techniques.
2. Make periodic visits to the Bar-B-Clean Business for the purpose of assisting in all aspects of the operation and management of the Franchise, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Franchise, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges.



3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice (See Franchise Agreement-Section 11.1).

4. Hold periodic national or regional conferences to discuss business and operational issues affecting Bar-B-Clean franchisees.

5. Establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions as allowed by law.

### Advertising

#### *Grand Opening Advertising*

Before opening and during the first 30 days of operation, you must spend at least \$3,000 for a grand opening advertising program.

#### *Brand Fund*

~~We currently do not have, but reserve the right to create a Brand Fund for marketing, developing and promoting the System, the Marks, and Bar-B-Clean Businesses. If established, you~~ You must pay up to 2% of your Gross Revenue for the Brand Fund (“Brand Fund Contribution”). Your contribution to the Brand Fund ~~will be~~ is in addition to all other advertising requirements set out in this Item 11. Each franchisee ~~will be~~ is required to contribute to the Brand Fund but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Bar-B-Clean Businesses owned by us will contribute to the Brand Fund on the same basis as franchisees.

The Brand Fund will be administered by us, or our affiliate or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The Brand Fund will be in a separate bank account, commercial account or savings account.

We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for local, regional or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, website development and search engine optimization, the development of technology for the System and any other purpose to promote the Marks. We may use any media for disseminating Brand Fund advertisements, including direct mail, print ads, the Internet, radio, billboards, and television. We may reimburse ourselves, our authorized representatives or our affiliates from the Brand Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other direct or indirect expenses associated with the programs funded by the Brand Fund. We do not guarantee that advertising expenditures from the Brand Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the Brand Fund Contributions for advertising that is principally a solicitation for the sale of franchises, but we reserve the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing. Sources for advertising materials may include preparation in-house, as well as national and/or regional agencies.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct or administer the Brand Fund. Any unused funds that were collected in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.



The Brand Fund is not audited. Upon your written request, we will provide to you an annual accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year. We did not collect or spend any Brand Fund Contributions during our last fiscal year, ending December 31, ~~2023~~2022.

### *Local Advertising*

In addition to the Brand Fund Contributions, you must spend an average of at least \$1,000 per month each year on local advertising and promotion (“Local Advertising Requirement”). If you fail to spend the Local Advertising Requirement, you will be required to pay the difference to us, or if established, the Brand Fund. You agree, at your sole cost and expense, to issue and offer such rebates, giveaways, and other promotions in accordance with advertising programs established by us, and further agree to honor the rebates, giveaways, and other promotions issued by other Bar-B-Clean franchisees under any such program, so long as such compliance does not contravene any applicable law, rule, or regulation. You will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Bar-B-Clean Businesses, and you will not issue coupons or discounts of any type except as approved by us.

We currently have not, but reserve the right to establish local or regional advertising cooperatives. You may be required to participate in any local or regional advertising cooperative for Bar-B-Clean Franchises that are established. The area of each local and regional advertising cooperative will be defined by us, based on our assessment of the area. Franchisees in each cooperative will contribute an amount to the cooperative for each Bar-B-Clean Franchise that the franchisee owns that exists within the cooperative’s area. Each Bar-B-Clean Franchise we own that exists within the cooperative’s area, will contribute to the cooperative on the same basis as franchisees. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. We may require that each cooperative operate with governing documents and prepare annual unaudited financial statements. We reserve the right to form, change, dissolve or merge any advertising cooperative formed in the future. If we elect to form such cooperatives, or if such cooperatives already exist near your territory, you will be required to participate in compliance with the provisions of the Brand Standards Manual, which we may periodically modify at our discretion.

You must order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, including your own website, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks and other name identification materials must follow our approved standards. You may not use our logos, Marks and other name identification materials on items to be sold or services to be provided without our prior written approval. If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to us, or if established, the Brand Fund.

We have established a website for Bar-B-Clean Franchises (“System Website”). If you wish to advertise online, you must follow our online policy which is contained in our Brand Standards Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.



### *Advisory Council*

We currently do not have, but may form, an advisory council (“Council”) to advise us on advertising policies. Members of the Council would consist of both franchisees and corporate representatives. The Council would be governed by bylaws. Members of the Council would be selected by way of a voting method specified in the Council’s bylaws. The Council would serve in an advisory capacity only. We will have the power to form, change or dissolve the Council, in our sole discretion.

### Computer System

You are required to have a computer system that meets our specifications. Although we do not require a specific brand or type of computer or tablet, we require that you have: (a) a computer or tablet that is capable of connecting to the Internet, and may be one that you currently own; and (b) our CRM (collectively, the “Computer System”). We estimate the cost of purchasing the Computer System will be between \$0 and \$1,000.

You must pay an annual technology fee, currently \$400500 per year, to cover certain technology used in the operation of your Bar-B-Clean Franchise. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System will generate reports on the Gross Revenue of your Bar-B-Clean Franchise. In addition to offering and accepting Bar-B-Clean gift cards and loyalty cards, you must use any credit card vendors and accept all credit cards and debit cards that we determine. The term “credit card vendors” includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, “Apple Pay” and “Google Wallet”). We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System (See Franchise Agreement – Section 12.5). You must arrange for installation, maintenance and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance repairs or upgrades relating to the Computer System. The cost of maintaining, updating or upgrading the Computer System or its components will depend on your repair history, costs of computer maintenance services in your area and technological advances. We estimate the annual costs will range from \$150 to \$500, but this could vary (as discussed above). We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

We (or our designee) have the right to independently access the electronic information and data relating to your Franchise and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Franchises. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your Bar-B-Clean Business or from other locations.

### Training

#### *Initial Training*

You or your designated manager or representative (or your designated owner, if you are an entity) must complete the initial training to our reasonable satisfaction, as determined by the specific program instructors, before you open your Bar-B-Clean Business. We provide initial training at a no cost for one



person. You must pay the then-current fee (currently \$500 per person, per day) for training each additional person. Initial training classes are held whenever necessary to train new franchisees. You will not receive any compensation or reimbursement for services or expenses for participation in the initial training program. You are responsible for all your expenses to attend any training program, including lodging, transportation, food and similar expenses.

We will not provide general business or operations training to your employees or independent contractors; however, we may provide limited training on the Bar-B-Clean system and brand standards to your key employees. You will be responsible for training your employees and independent contractors, including any training on the day-to-day operations of the Bar-B-Clean Business. You will be responsible for hiring, training, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the Bar-B-Clean Business. We plan to provide the training listed in the table below.

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Introduction	0.5	0	Orange County, California or other location that we designate
Safety	1	0	Orange County, California or other location that we designate
Basic Operations	0.5	0	Orange County, California or other location that we designate
Advertising and Marketing	1	0	Orange County, California or other location that we designate
Start-up Procedures	0.5	0	Orange County, California or other location that we designate
Review, Q&A, Wrap-Up	0.5	0	Orange County, California or other location that we designate
Solicitation, Marketing and Customer Relations	0	3	Customer Location, Orange County, California or other location that we designate
Barbecue Cleaning Procedures	0	6	Customer Location, Orange County, California, or other location that we designate
Repairs and Replacements	0	2	Customer Location, Orange County, California, or other location that we designate
Review	0	1	Customer Location, Orange County, California, or other location that we designate
<b>TOTAL</b>	<b>4 hours</b>	<b>12 hours</b>	



Notes:

1. We reserve the right to vary the length and content of the initial training program based upon the experience and skill level of the individual attending the initial training program. We will use the Brand Standards Manual as the primary instruction materials during the initial training program.
2. Bryan Weinstein, our Director, President and Chief Financial Officer, currently oversees our training program to and has done so since our inception in 2012. Jay Mojica, who has been our Operations Manager since 2017, will assist with the on-the-job portion of the training.
3. Other instructors may include experienced Bar-B-Clean personnel.

### *Ongoing Training*

From time to time, we may require that you (or your designated owner, if you are an entity), designated managers and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional while others may be required. If you appoint a new designated manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Bar-B-Clean Business. If we conduct an inspection of your Bar-B-Clean Business and determine you are not operating in compliance with the Franchise Agreement, we may require that you attend remedial training that addresses your operational deficiencies. You may also request that we provide additional training (either at corporate headquarters or at your Bar-B-Clean Business).

## **ITEM 12 TERRITORY**

The Franchise Agreement grants you an exclusive territory ("Territory"), which means that during the term of the Franchise Agreement, we will not establish or franchise others to establish another Bar-B-Clean Business within your designated territory. A standard Territory generally includes up to 75,000 households with incomes of \$60,000 and above. The Territory is determined based on territory mapping technology demographics, the latest census data, or by other methods of our choosing, and will be defined in your Franchise Agreement when you sign it. We define the Territory based on zip codes, maps or boundaries. In certain densely-populated metropolitan areas, a Territory may be small if it has a high population density, while franchisees operating in less densely-populated urban areas may have significantly larger areas. You are prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Territory, without first getting our written consent. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. If you renew your Franchise, your Territory may be modified depending on the then-current demographics of the Territory, and on our then-current standards for territories.

We, and our affiliates, have the right to operate, and to license others to operate, Bar-B-Clean Businesses at any location outside the Territory, even if doing so will or might affect your operation of your Bar-B-Clean Business. We retain the right, for ourselves and our affiliates, on any terms we deem advisable, and without granting you any rights:

1. to own, franchise or operate Bar-B-Clean Businesses at any location outside of the Territory, regardless of the proximity to your Bar-B-Clean Business;



2. to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;

3. to use and license the use of other proprietary and non-proprietary marks or methods, which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering barbecue cleaning, servicing and polishing to residential and commercial customers and related products and services, at any location, including within the Territory, which may be similar to or different from the Bar-B-Clean Business operated by you;

4. to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with your Bar-B-Clean Business, whether located inside or outside of your Territory, provided that in such situations the newly acquired businesses located inside of your Territory will not operate under the Marks;

5. to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

We are not required to pay you if we exercise any of the rights specified above within your Territory. The continuation of the Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency. There are no other circumstances that permit us to modify or alter your territorial rights. We do not pay compensation for soliciting or accepting orders inside your Territory. Although we reserve the rights described, neither we nor any affiliate, operates, franchises or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those offered by you or our other Franchises.

If you wish to purchase an additional Bar-B-Clean Franchise, you must apply to us, and we may, at our discretion, offer an additional Bar-B-Clean Franchise to you. We consider a variety of factors when determining whether to grant additional Bar-B-Clean Franchises. Among the factors we consider, in addition to the then-current requirements for new Bar-B-Clean franchisees, are whether or not the franchisee is in compliance with the requirements under their current Franchise Agreement.

You do not receive the right to acquire additional Bar-B-Clean Franchises within or outside the Territory unless you purchase multiple Franchises under a Multi-Franchise Addendum. You are not given a right of first refusal on the sale of existing Bar-B-Clean Franchises.

### ITEM 13 TRADEMARKS

We have registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Trademark	Registration Number	Date of Registration	Register
BAR-B-CLEAN	4,476,174	January 28, 2014	Principal



Trademark	Registration Number	Date of Registration	Register
	4,476,173	January 28, 2014	Principal

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board or the trademark administrator of any state, or any court. All required affidavits have been filed.

No agreement significantly limits our right to use or license the Marks in any manner material to the Bar-B-Clean Business. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks. The Franchise Agreement and your payment of Royalties grant you the non-exclusive right and license to use the System, which includes the use of the Proprietary Marks. You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement and with a conspicuous sign in your Bar-B-Clean Business that you are an independently owned and operated licensed franchisee of Bar-B-Clean Franchising Inc. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale or other disposition of the Bar-B-Clean Business, or any interest in the franchise. All rights and goodwill from the use of the Marks accrue to us.

We will defend you against any claim brought against you by a third party that your use of the Marks, in accordance with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us within three days if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.



## ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information in the Brand Standards Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the content and format of our products, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Brand Standards Manual, our advertising materials, the content and format of our products or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“Copyrighted Works”) for your operation of your Bar-B-Clean Franchise, but such copyrights remain our sole property.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our Brand Standards Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation and franchising of Bar-B-Clean Franchises, our training materials and techniques, information concerning Product and service sales, operating results, financial performance and other financial data of Bar-B-Clean Franchises and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Brand Standards Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Bar-B-Clean Franchise during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Bar-B-Clean Franchises during the term of the Franchise Agreement.

You must notify us within three days after you learn about another’s use of language, a visual image or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information or Trade Secrets. You may not communicate with anyone except us, our counsel or our designees regarding any infringement, challenge



or claim. We will take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign any and all instruments and documents, give the assistance and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information or Trade Secrets.

No patents or patents pending are material to us at this time.

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

The Bar-B-Clean Franchise shall be managed by you, or if you are an entity, one shareholder, partner, or member who is a natural person designated in writing to us as the person to make all decisions for the franchisee entity (“Designated Owner”). Under certain circumstances, we may allow you to appoint a designated manager (“Designated Manager”) to run the day-to-day operations of the Bar-B-Clean Business. The Designated Manager must successfully complete our training program (See Item 11). We do not currently require that the Designated Manager have an ownership interest in the legal entity of the Franchise owner. If you replace a Designated Manager, the new Designated Manager must satisfactorily complete our training program at your own expense.

Any Designated Manager and, if you are an entity, an officer that does not own equity in the franchisee entity, must sign the “System Protection Agreement,” the form of which is attached to this Franchise Disclosure Document in Exhibit H. All of your employees, independent contractors, agents or representatives that may have access to our confidential information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit H. If you are an entity, each direct or indirect owner (i.e., each person holding a direct or indirect ownership interest in you) must sign an owners agreement, the form of which is attached to the Franchise Agreement as Attachment C. We also require that the spouses of the Franchise owners sign the owners agreement.

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

You must sell or offer for sale only those services and products authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees, and may vary depending on the operating season and geographic location of your Bar-B-Clean Business or other factors. You must follow our policies, procedures, methods and techniques. You must sell or offer for sale all types of services and products specified by us. We may change or add to our required services and products, at our discretion, with prior notice to you. There are no limits on our right to make such changes. If we change or add to our required services and products, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any services or products that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You are prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Territory, without first getting our written consent. You may not advertise products or services within another franchisee’s Territory. You may not establish an account or participate in any



social networking sites, crowdfunding campaigns or blogs or mention or discuss the franchise, us or any of our affiliates, without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. Otherwise, we place no restrictions upon your ability to serve customers provided you do so from the location of your Bar-B-Clean Business in accordance with our policies.

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

**THE FRANCHISE RELATIONSHIP**

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4.1	Ten years.
b. Renewal or extension of the term	Section 4.1	If you are in good standing and you meet other requirements, you may add one successive term of five years.
c. Requirements for franchisee to renew or extend	Section 4.2	We use the term “renewal” to refer to extending our franchise relationship at the end of your initial term. Your successor franchise rights permit you to remain as a Franchise after the initial term of your Franchise Agreement expires. The requirements for renewal include: you must sign our then-current Franchise Agreement for the successor term, and this new franchise agreement may have materially different terms and conditions (including, e.g., higher royalty and advertising contributions) from the Franchise Agreement that covered your original term, provide notice not less than 120 days nor more than 180 days before the expiration of the term, not be in default under the Franchise Agreement, sign a release, complete training, pay a renewal fee, and comply with our current specifications.
d. Termination by franchisee	Section 21.1	You may terminate the Franchise Agreement if you are in compliance with it, and we are in material breach, and we fail to cure that breach within 30 days of receiving written notice, subject to applicable state law.
e. Termination by franchisor without “cause”	Not Applicable	Not Applicable.
f. Termination by franchisor with “cause”	Section 21	We can terminate upon certain violations of the Franchise Agreement by you.
g. Curable defaults	Section 21	You have five days to cure monetary defaults and 30 days to cure any other defaults, except those specified in Section 21.2 without a cure period.



Provision	Section in Franchise Agreement	Summary
h. Non-curable defaults	Section 21	Non-curable defaults: the defaults listed in Section 21.2 of the Franchise Agreement without a cure period.
i. Franchisee's obligations on termination/non-renewal	Section 22	Obligations include complete de-identification, payment of amounts due and return of confidential Brand Standards Manual, all Confidential Information, Trade Secrets and records, and comply with restrictive covenants.
j. Assignment of contract by franchisor	Section 20.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 20.2	Includes any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest or change of ownership in the Franchise Agreement, the Franchise or interest in the Franchise.
l. Franchisor approval of transfer by franchisee	Section 20.2	We have the right to approve all transfers. We will not unreasonably withhold our approval of any proposed transfer.
m. Conditions for franchisor approval of transfer	Section 20.2	Conditions include: provide notice; provide us opportunity to exercise our right of first refusal; the new owner meets our requirements for new franchisees and must have sufficient business experience and financial resources to operate the Franchise; you are in compliance and must pay all amounts due; new owner and employees must complete the Initial Training Program; new owner has obtained all requirement licenses and permits; you must pay transfer fee; you must sign a general release in favor of us; new owner must agree to bring the Bar-B-Clean Business up to current standards; new owner signs a new franchise agreement in the then-current form and any ancillary agreements, including an <u>owner's/owners</u> agreement, the terms of which may be materially different than the franchise agreement you signed; reimburse us for our actual costs of transfer, including legal fees, commissions, finder's fees and other costs.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 20.4	We have 60 days to match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Section 22.2	We may, but are not required to, purchase your Franchise, inventory or equipment at fair market value if your Franchise is terminated for any reason.
p. Death or disability of franchisee	Section 20.3	The Franchise Agreement must be transferred or assigned to a qualified party within 180 days of death or disability or the Franchise Agreement may be terminated. Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 calendar days of your death or disability.



Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the Franchise	Section 15.3	You may not participate in a diverting business, have no owning interest in, loan money to, or perform services for a competitive business anywhere. You may not interfere with our or our other franchisees' Bar-B-Clean Franchises. You may not solicit any customer of the Franchisor or any Bar-B-Clean Franchise or any affiliate. (Subject to applicable state law.)
r. Non-competition covenants after the Franchise is terminated or expires	Section 15.3	Owners may not have an interest in, own, manage, operate, finance, control or participate in any competitive business within: (i) a 50-mile radius of your Bar-B-Clean Business; <u>(and including the premises of the approved location of Franchisee);</u> and (ii) a one-mile radius from all other Bar-B-Clean Businesses that are operating or under development, for one year. Owners may not solicit any customer of the Franchisor or any Bar-B-Clean Franchise for one year. (Subject to applicable state law.)
s. Modification of agreement	24.9	No modifications of the Franchise Agreement during the term unless agreed to in writing, but the Brand Standards Manual is subject to change at any time in our discretion. Modifications are permitted on renewal.
t. Integration/merger clause	Section 24.8; 24.9	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 22.4	Except for certain claims, all disputes must be mediated, arbitrated and litigated in the principal city closest to our principal place of business (currently Yorba Linda, California), subject to applicable state law.
v. Choice of forum	Section 22.4	All disputes must be mediated, arbitrated and litigated in the principal city closest to our principal place of business (currently Yorba Linda, California), subject to applicable state law.
w. Choice of law	Section 24.1	The laws of the state where the franchisee's Bar-B-Clean Business is located apply, subject to applicable state law.

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote our Franchise.



## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose 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 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 performance at a particular location or under particular circumstances.

As of December 31, ~~2023~~2022, we had one affiliate-owned Bar-B-Clean Business ("Affiliate Location") and ~~2328~~15 franchised Bar-B-Clean Businesses ("Franchised Locations") operated by ~~15~~fifteen franchisees. We treat each signed franchise agreement as a separate Bar-B-Clean Business. ~~Some; however, some~~ franchisees report financial data for multiple franchise agreements together as noted below. The financial information provided in the following tables represents the historical performance of the data of the Affiliate Location and a subset of Franchised Locations ~~that meet the reporting criteria described below.~~ We include data from: (i) ~~four~~six full-time Franchised Locations where the Bar-B-Clean Business is the franchisee's primary job and the franchisee operates on a full time basis ("Full-Time Franchised Locations"); (ii) ~~nine~~two part-time Franchised Locations where the franchisee operates the Bar-B-Clean Franchised Location in addition to a full-time job and the franchisee operates on a part-time basis ("Part-Time Franchised Locations"); and (iii) one Affiliate Location that operated during the entire ~~2023~~2022 fiscal year on a full-time basis ("Reporting Group") and reports on results attained during calendar year ~~2023~~2022 ("Reporting Period"). Each Franchised Location and the Affiliate Location in the Reporting Group reported Gross Revenue for all twelve months of the Reporting Period.

~~Two franchisees in the Reporting Group reported the data of the following multiple Franchised Locations together: (i) two Part-Time Franchised Locations in The Full Time Franchised Nashville are reported together (collectively, the "Nashville Franchised Location"); and (ii) three of the Part-Time Franchised Locations that are operated by a single franchisee in Florida were reported together (collectively, the "South Florida Franchised Location"). The Full-Time Franchised Location in Ventura, California ("Ventura Franchised Location") owns two Franchised Locations but one has been excluded as described below only operated one of them in 2023. The Texas Franchised Locations (defined below) reported the data of three Franchised Locations together.~~

~~We have excluded do not include the data of 40 the following new franchisees that did not operate for all twelve months of the Reporting Period: (i) seven Franchised Locations as follows: (i) five operated by three new franchisees who opened in 2023 and (ii) three Franchised Locations who did not operate their Bar-B-Clean Businesses that were transferred to two new franchisees during the Reporting Period and whose franchise agreements were terminated after December 31. We also exclude the following ten Franchised Locations that were operated by four franchisees who opened Franchised Locations prior to the Reporting Period but did not report revenue for the Franchised Location during the Reporting Period: (i) 2022; (ii) one Franchised Location that who did not operate the business during the Reporting Period (and paid the Minimum Royalty to reserve its territory for future use upon the franchisee's retirement from of their full-time position); (iii) one Franchised Location operated by the same franchisee operating the Ventura Franchised Location in the Reporting Group as the this franchisee did not report any Gross Revenue or operate within the territory of this second Franchised Location during the Reporting Period; and (iv) three (iii) eight inactive Franchised Locations owned by the South Florida Franchised Location in the state of two California that were not operated in by the franchisee during the Reporting Period as the franchisee was operating within its Florida territories only.~~



~~The financial information for the Affiliate Location was prepared from internal accounting records and reports. Data for the Franchised Locations is based on financial information reported to us by the franchisees whose franchise agreements will expire in 2024. The information included in these financial performance representations has not been audited but we have no reason to doubt its accuracy.~~

~~The Affiliate Location shares many of the same characteristics as our Franchised Locations, including degree of competition and services and goods offered, except the Affiliate Location pays less for products than franchisees and does not pay the Royalty. The Affiliate Location contributes to the Brand Fund on the same basis as franchisees. Some Franchised Locations in the Reporting Group differ from the franchised Bar-B-Clean Businesses offered under this disclosure document due to size of their territories, which range from approximately 100,000 to 175,000 households, except for the Central Texas three Franchised Location (“collectively, the “Texas Franchised Location”), which operates Locations”), whose franchisee operated in a territory with 269,099 households until April 2023 and added two additional Franchised Locations with a total of 234,331 households in April 2023. The Texas Franchised Location operates within a territory that includes rural areas and services the territory with a staff that is comparable to a franchisee operating within a single territory in a densely populated area. The current standard territory includes 75,000 households with an opportunity to add up to 25,000 additional household (for a total of 100,000 households). We also permit franchisees to operate in multiple territories under a Multi-Unit Addendum.~~

~~The Affiliate Location shares many of the same characteristics as our Franchised Locations, including degree of competition and services and goods offered, except the Affiliate Location does not pay the Royalty and Technology Fee. The Affiliate Location contributes to the Brand Fund on the same basis as franchisees. The financial information for the Affiliate Location was prepared from internal accounting records and reports. Data for the Franchised Locations is based on financial information reported to us by the franchisees. The information included in these financial performance representations has not been audited but we have no reason to doubt its accuracy.~~

We provide a summary of the average Gross Revenue in Table 1 for the Franchised Locations in the Reporting Group. ~~Table 1 includes~~ We include summaries of the Full-Time Franchised Locations, excluding the ~~three Texas Franchised Location Locations~~ due to ~~its~~ their size, and aggregated reporting and a system-wide overview of full time Bar-B-Clean Businesses that includes both the Texas Franchised ~~Location Locations~~ and the Affiliate Location. We include an overview of all the Part-Time Franchised Locations as well as an overview of the Part Time Franchised Location operating in the equivalent of a single territory of approximately 100,000 households, which does not include the Nashville Franchised Location and South Florida Location. ~~Locations’ average Gross Revenue in Table 2. We also provide an overview of Gross Revenue data for each Full-Time Franchised Location in Table 2 and for each Part-Time Franchised Location in Table 3. In Table 4, we provide an overview of the Gross Revenue, Adjusted Earnings, and Adjusted Margins of the Affiliate Location. “Gross Revenue” for purposes of this Item 19 means the revenue Bar B Clean Businesses in the Reporting Group received from the sale of all goods, products and services sold at, from, or through the Bar B Clean Businesses and all other income, revenue and consideration of every kind and nature received by the Bar B Clean Businesses in the Reporting Group, whether for cash or credit, and regardless of collection in the case of credit, and all proceeds from any business interruption insurance, but not including: (a) any sales taxes or other taxes Bar B Clean Businesses in the Reporting Group collected from customers for, and thereafter paid directly to, the appropriate taxing authority; and (b) any bona fide refunds the Bar B Clean Businesses in the Reporting Group make to customers.~~ In Table 5, we provide the Average and Median Total Jobs and Revenue Per Ticket of the Affiliate Location. In Table 6, we provide the Average and Median Total Jobs and Revenue Per Ticket for Franchised Locations in the Reporting Group.

Table 1



**Average and Median 2023 Gross Revenue<sup>(4)</sup>**

<u>Data Type</u>	<u>High</u>	<u>Average</u>	<u>Low</u>	<u>Median</u>	<u># Meeting or Exceeding Average</u>	<u>% Meeting or Exceeding Average</u>
<b><u>Full Time Franchised Locations (excluding Texas Franchised Locations)</u></b>						
<b><u>2023 Gross Revenue<sup>(1)</sup></u></b>	\$373,374	\$294,915	\$253,886	\$257,485	1 of 3	33%
<b><u>Full Time Franchised Locations and Affiliate Location<sup>(2)</sup></u></b>						
<b><u>2023 Gross Revenue</u></b>	\$814,330	\$415,708	\$253,886	\$373,374	1 of 5	20%
<b><u>2022 Data Type</u></b>	<u>High</u>	<u>Average</u>	<u>Low</u>	<u>Median</u>	<u># Meeting or Exceeding Average</u>	<u>% Meeting or Exceeding Average</u>
<b><u>Full Time Franchised Locations (excluding Texas Franchised Location)</u></b>						
<b><u>2022 Gross Revenue</u></b>	\$391,727	\$317,171	\$257,005	\$302,781	1 of 3	33%
<b><u>Full Time Franchised Locations and Affiliate Location<sup>(2)</sup></u></b>						
<b><u>2022 Gross Revenue</u></b>	\$457,954	\$366,627	\$257,005	\$391,727	3 of 5	60%
<b><u>Part Time Locations (Excluding South Florida and Nashville Franchised Locations)</u></b>						
<b><u>2022 Gross Revenue</u></b>	\$129,659	\$92,244	\$28,035	\$119,037	2 of 3	67%
<b><u>All Part-Time Franchised Locations</u></b>						
<b><u>2022 Gross Revenue</u></b>	\$129,659	\$62,572	\$9,035	\$28,035	2 of 5	40%
<b><u>2023 Gross Revenue</u></b>	\$39,167	\$32,267	\$25,367	\$32,267	1 of 2	50%

**Table 2  
2023~~2022~~ Gross Revenue<sup>(4)</sup>  
For Full-Time Franchised Locations in the Reporting Group**

<b><u>Full Time Franchised Locations</u></b>				
<u>Data Type</u>	<u>Ventura</u>	<u>Temecula</u>	<u>SW Florida</u>	<u>Texas</u>
<b><u>2022 Gross Revenue</u></b>	\$302,781	\$257,005	\$391,727	\$457,954
<b><u>Full Time Franchised Locations</u></b>				
<u>Data Type</u>	<u>Ventura</u>	<u>Temecula</u>	<u>SW Florida</u>	<u>Texas <sup>(3)</sup></u>
<b><u>2023 Gross Revenue</u></b>	\$257,485	\$253,886	\$373,374	\$814,330



**Table 3**  
**2023~~2022~~ Gross Revenue<sup>(4)</sup>**  
**For Part-Time Franchised -Locations in the Reporting Group**

Data Type	Tampa	San Diego	S. Florida <sup>(3)</sup>	Nashville <sup>(4)</sup>	South Carolina
<b>2022<del>2023</del> Gross Revenue</b>	\$119,037	\$129,659	\$27,095	\$9,035	\$28,035
<b>Data Type</b>	<u>N. Fort Worth</u>			<u>South Carolina</u>	
<b>2023<del>2022</del> Gross Revenue</b>	<u>\$39,167</u>			<u>\$25,367</u>	

Notes to Table 1 to 3:

1. “Gross Revenue” means the total revenue derived from the sale of goods or services less sales tax, discounts, allowances, and returns.

2. Our Affiliate Location is comparable to a Full Time Franchised Location although the owner and operator also serves as our Director, President, and Chief Financial Officer. As noted in Table 5, Part-Time Franchised Locations reported between 67 and 70 Jobs (as defined below) per year, while Full Time Franchised Locations reported between 379 and 680 Jobs. The Affiliate Location reported 822 Jobs.

4.3. The financial performance representations in Tables 1 to 3 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

~~2. Our Affiliate Location is comparable to a Full Time Franchised Location although the owner and operator also serves as our Director, President, and Chief Financial Officer. As noted in Table 5, Part-Time Franchised Locations reported between 29 and 338 Jobs (as defined below in the Notes to Table 5 and 6) per year, while Full Time Franchised Locations reported between 571 and 1179 Jobs. The Affiliate Location reported 906 Jobs.~~

~~3. The South Florida Franchised Location did not offer repair or parts replacement services and only provided cleaning services during the Reporting Period. The South Florida Franchised Location operates within three territories and reports the Gross Revenue from these territories together.~~

~~4. The Nashville Franchised Location operates within two territories and reports the Gross Revenue from these territories together.~~

**Table 4**  
**2022~~2023~~ Adjusted Earnings and Adjusted Margin for the Affiliate Location**

Data Type	N. Orange Affiliate	Margin
<b>2022<del>2023</del> Total Gross Revenue</b>	<b><u>\$423,666,397,467</u></b>	100%
Cost of Goods Sold	\$69,692,551,130	16.4513.87%
<b>Gross Profit</b>	<b><u>\$353,974,342,337</u></b>	<b>83.5586.13%</b>
<b>Operating Expenses</b>		
Liability Insurance	\$4,800	1.1321%
Marketing & Advertising	\$28,281,729	6.687.23%



Meals & Entertainment	\$2,648,874	0.6347%
Office Expenses/Supplies	\$7,880,744	1.8670%
Technicians/Ops Payroll	\$121,840,124,731	28.7631.38%
Professional Fees	\$1,800,450	0.4236%
Telephone & Computer Services	\$1,181,782	0.2845%
<b>Total Operating Expenses</b>	<b>\$168,430,170,110</b>	<b>39.7642.80%</b>
<b>Franchise Fees (Imputed)</b>		
Royalty (6%)	\$25,420,23,848	6%
Brand Fund (2%)	\$8,473,7,949	2%
Technology Fee	\$450,500	110.13%
<b>Adjusted Earnings</b>	<b>\$151,201, \$139,930</b>	<b>35.692%</b>

Notes to Table 4:

1. “Gross Revenue” has the meaning given in the Notes to Tables 1 – 3.
2. “Cost of Goods Sold” includes the cost of Parts & New Grills. No other costs and expenses are included.
3. “Gross Profit” means Gross Revenue less Costs of Goods Sold.
4. “Operating Expenses” includes ~~all operating expenses incurred by the Affiliate Location:~~ liability insurance, marketing and advertising, meals and entertainment, office expenses/supplies, technicians/ops payroll, professional fees, and telephone and computer services.
5. “Franchise-Related Adjustments Fees” – Imputed Fees. We have imputed certain fees assessed by us and made adjustments based on the fees paid and expenditures required under our current Franchise Agreement for the Affiliate Location. Franchised Bar-B-Clean Businesses are required to pay a Royalty of the greater of 6% of Gross Revenue or a \$500 monthly minimum and are subject to a Brand Fund Contribution of 2% of Gross Revenue. ~~The Affiliate Location did not pay the Brand Fund Contribution during the Reporting Period as the Brand Fund was implemented in 2023.~~ The illustrative adjustments of adding the Royalty and ~~Brand Fund Contribution~~ the \$500 Technology Fee are based on the fees that would have been charged if the ~~Reporting Affiliate Location was~~ Locations were operating under the ~~then-current~~ terms of our franchise agreement. In making the Franchise-Related Adjustments, we assumed that any additional expenses would not have a direct or indirect material effect on revenue or other expenses.
6. “Adjusted Earnings” refers to Gross Profit less Operating Expenses and ~~Franchise-Related Adjustments~~ Fees. It does not include the deduction of taxes, interest, depreciation, or amortization.
7. “Margin” is calculated by dividing Gross Revenue by Adjusted Earnings.
8. ~~Operational Differences.~~ The Affiliate Location pays less for products than franchisees and does not pay the Royalty or technology fee. Because of this, Franchised Locations will have higher expenses than the Affiliate Location, and may experience lower income. There may be other costs and other expenses not identified, and the costs and expenses of Affiliate Location may differ from Franchised Locations.

Table 5 and 6



In Table 5 below, we provide an overview of the average number of Jobs reported and the average Gross Revenue per Job reported by the Full-Time Franchised Locations and Part-Time Franchised Locations. Due to the size of the Texas Franchised Locations first territory and its aggregate reporting with two new Franchise Locations, we include a breakdown of the Full-Time Franchised Locations' data without the Texas Franchised Locations, as well as a breakdown of the performance of all full time businesses which includes all Full Time Franchise Locations (including the Texas Franchised Locations) and the Affiliate location. We include a breakdown of the Part-Time Franchised Locations' data with and without the Nashville Franchised Location and the South Florida Franchised Location's data as these franchisees report data from multiple territories together as noted above. Location. We include the data of the Affiliate Location in Table 6.

**Table 5**  
**Average and Median Total Jobs and Revenue Per Ticket/Job**  
**For the Affiliate Location in the Reporting Group**  
**2023**

<u>Data Type</u>	<u>High</u>	<u>Average</u>	<u>Low</u>	<u>Median</u>	<u># Meeting or Exceeding Average</u>	<u>% Meeting or Exceeding Average</u>
<b>2022</b>						
<b>Full Time Franchised Locations (excluding Texas Franchised Locations)</b>						
<b>Revenue Per Job</b>	\$652	\$487	\$379	\$430	1 of 3	33%
<b>Total Jobs</b>	680	614	573	590	1 of 3	33%
<b>All Full Time Franchised Locations and Affiliate Location <sup>(2)</sup></b>						
<b>Revenue Per Job</b>	\$652	\$466	\$379	\$430	2 of 5	40%
<b>Total Jobs</b>	2011	935	573	680	1 of 5	20%
<b>All Part-Time Franchised Locations</b>						
<b>Revenue Per Job</b>	\$560	\$470	\$379	\$470	1 of 2	50%
<b>Total Jobs</b>	70	69	67	69	1 of 2	50%
<b>2023</b>						
<u>Data Type</u>	<u>High</u>	<u>Average</u>	<u>Low</u>	<u>Median</u>	<u># Meeting or Exceeding Average</u>	<u>% Meeting or Exceeding Average</u>
<b>Full Time Franchised Locations (excluding Texas Franchised Location)</b>						
<b>Revenue Per Job</b>	\$620	\$490	\$399	\$450	1 of 3	33%
<b>Total Jobs</b>	758	654	571	632	1 of 3	33%
<b>All Full-Time Franchised Locations and Affiliate Location <sup>(2)</sup></b>						
<b>Revenue Per Job</b>	\$620	\$465	\$388	\$450	2 of 5	40%
<b>Total Jobs</b>	1,179	809	571	758	2 of 5	40%
<b>Part Time Locations (Excluding South Florida and Nashville Franchised Locations)</b>						
<b>Revenue Per Job</b>	\$431	\$375	\$312	\$384	2 of 3	67%
<b>Total Jobs</b>	338	235	90	276	2 of 3	67%
<b>All Part-Time Franchised Locations</b>						
<b>Revenue Per Job</b>	\$431	\$341	\$268	\$312	2 of 5	40%
<b>Total Jobs</b>	338	167	29	101	2 of 5	40%

**Table 6**



**Total Jobs and Revenue Per Ticket  
For the Affiliate Location in the Reporting Group  
2022**

2023

Data Type	N. Orange Affiliate
<b>Total Jobs</b>	906822
<b>Revenue Per Jobs</b>	\$468462

Notes to Tables 5 and 6:

1. “Job” refers to each unique customer transaction completed by the Franchised Location or Affiliate Location in the Reporting Group.

1.2. “Total Jobs” refers to the total number of Jobs completed during the 2022/2023 Reporting Period. The average of Total Jobs was calculated by dividing the cumulative Total Jobs reported by the Reporting Group or the respective subset of the Reporting Group (i.e., part time or full time Franchised Locations) by the number of Franchised Locations in the Reporting Group or subset of the Reporting Group. The median of Total Jobs was calculated by listing the Total Jobs for each Franchised Location in the Reporting Group or the respective subset of the Reporting Group in numerical order and selecting the middle value (or the average of the two middle values if there was an even number of Franchised Locations within the Reporting Group or subset). The high and low Total Jobs were the highest and lowest value for Total Jobs reported within the Reporting Group or the respective subset of the Reporting Group when the Total Jobs for each Franchised Location was listed in numerical order.

2.3. “Revenue per Job” is calculated by dividing the 2022/2023 Gross Revenue for each business in the Reporting Group by the Total Jobs.

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

**Some Bar-B-Clean Businesses have sold this amount. Your individual financial results may differ. There is no assurance that you will sell as much.**

Other than the preceding financial performance representation, Bar-B-Clean Franchising Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations 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 Bryan Weinstein, Bar-B-Clean Franchising Inc., 5390 Los Monteros, Yorba Linda, California 92887, 888-551-8690, or bryan@bar-b-clean.com, the Federal Trade Commission and the appropriate state regulatory agencies.



**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

Systemwide Outlet Summary  
For Years 2020—20222021 - 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	<del>2021</del> 2020	<del>28</del> 24	<del>24</del> 23	<del>-4</del> 1
	2021 <del>2022</del>	<del>24</del> 23	23	<del>-10</del>
	2022 <del>2023</del>	23	<del>23</del> 28	<del>0</del> +5
Company-Owned	<del>2021</del> 2020	1	1	0
	<del>2022</del> 2021	1	1	0
	2022 <del>2023</del>	1	1	0
Total Outlets	<del>2021</del> 2020	<del>29</del> 25	<del>25</del> 24	<del>-4</del> 1
	<del>2022</del> 2021	<del>25</del> 24	24	<del>-10</del>
	2022 <del>2023</del>	24	<del>24</del> 29	<del>0</del> +5

Table No. 2

Transfers from Franchisees to New Owners (other than the Franchisor)  
For Years 2020—20222021 - 2023

State	Year	Number of Transfers
TotalsCalifornia	<del>2021</del> 2020	0
	<del>2022</del>	<u>0</u>
	<del>2023</del>	<u>1</u>
Tennessee	2021	0
	2022	0
	<del>2023</del>	<u>2</u>
Totals	<del>2021</del>	<u>0</u>
	<del>2022</del>	<u>0</u>
	<del>2023</del>	<u>3</u>



Table No. 3

Status of Franchised Outlets  
For Years 2020 – 2022/2021 - 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
<del>California</del> Arizona	<del>2021</del> 2020	49	01	41	0	0	0	09
	<del>2022</del> 2021	09	0	0	0	0	0	09
	<del>2022</del> 2023	09	0	0	0	0	0	09
<del>Florida</del> California	<del>2021</del> 2020	97	0	02	0	0	0	95
	<del>2021</del> 2022	95	10	10	0	0	0	95
	<del>2022</del> 2023	95	0	01	0	0	0	94
<del>Louisiana</del> Florida	<del>2021</del> 2020	71	0	0	0	0	0	71
	<del>2022</del> 2021	71	0	20	0	0	0	51
	<del>2022</del> 2023	51	0	0	0	0	0	51
<del>Oklahoma</del> Louisiana	<del>2021</del> 2020	1	0	0	0	0	0	1
	<del>2022</del> 2021	1	0	0	0	0	0	1
	<del>2022</del> 2023	1	0	0	0	0	0	1
<del>South Carolina</del> <del>Oklahoma</del>	<del>2021</del> 2020	10	01	0	0	0	0	1
	<del>2021</del> 2022	1	0	0	0	0	0	1
	<del>2022</del> 2023	1	0	0	0	0	0	1
<del>Tennessee</del> <del>South Carolina</del>	<del>2021</del> 2020	02	0	0	0	0	0	02
	<del>2022</del> 2021	02	10	0	0	0	0	12
	<del>2022</del> 2023	12	0	0	0	0	0	12
<del>Texas</del> Tennessee	<del>2020</del> 2021	24	0	0	0	0	0	24
	<del>2022</del> 2021	24	0	0	0	0	0	24
	<del>2022</del> 2023	24	07	03	0	0	0	28
<del>Utah</del> Texas	<del>2020</del> 2021	40	0	0	0	0	0	40
	<del>2022</del> 2021	40	0	0	0	0	0	40
	<del>2022</del> 2023	40	02	0	0	0	0	42
Total	<del>2020</del> 2021	2824	02	43	0	0	0	2423
	<del>2022</del> 2021	2423	20	30	0	0	0	23
	<del>2022</del> 2023	23	09	04	0	0	0	2328



Table No. 4

Status of Company-Owned Outlets  
For Years 2020–2022/2021 - 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California*	<del>2020</del> 2021	1	0	0	0	0	1
	<del>2022</del> 2021	1	0	0	0	0	1
	<del>2022</del> 2023	1	0	0	0	0	1
Total Outlets	<del>2020</del> 2021	1	0	0	0	0	1
	<del>2022</del> 2021	1	0	0	0	0	1
	<del>2022</del> 2023	1	0	0	0	0	1

\*Owned and operated by our affiliate, CNC Financial.

Table No. 5

Projected Openings as of  
December 31, 2022/2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
<u>Arizona</u>	<u>2</u>	<u>0</u>	<u>0</u>
<u>California</u>	<u>5</u>	<u>0</u>	<u>0</u>
<u>Connecticut</u>	<u>1</u>	<u>0</u>	<u>0</u>
<u>Florida</u>	<u>3</u>	<u>0</u>	<u>0</u>
<u>Georgia</u>	<u>3</u>	<u>0</u>	<u>0</u>
Texas	0 <u>1</u>	4 <u>0</u>	0
Virginia	0 <u>1</u>	4 <u>0</u>	0
Total	0 <u>16</u>	2 <u>0</u>	0

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit C. The name and last known address and telephone number of every current franchisee and every franchisee who has had a Bar-B-Clean Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during the one-year period ending December 31, ~~2022~~2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit C. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with Bar-B-Clean. You may wish to speak with current and former franchisees, but know that not all such franchisees can communicate with you. During the last three fiscal years, some of our franchisees have signed confidentiality provisions that would restrict their ability to speak openly about their experience with the Bar-B-Clean System. If you buy a Bar-B-Clean Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.



As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us, and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchisee organizations.

## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit B contains the financial statements required to be included with this Franchise Disclosure Document: ~~unaudited financial statements as of May 31, 2023 and~~ audited financial statements as of December 31, ~~2022~~2023, December 31, ~~2022~~2024, and December 31, ~~2020~~2021. Our fiscal year end is December 31.

## **ITEM 22 CONTRACTS**

Exhibit A	Franchise Agreement
Exhibit E	Franchise Disclosure Questionnaire
Exhibit G	State Addenda and Agreement Riders
Exhibit H	Contracts for use with the Bar-B-Clean Franchise

## **ITEM 23 RECEIPT**

The last pages of this Franchise Disclosure Document, Exhibit J, are a detachable document, in duplicate. Please detach, sign, date and return one copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.



**EXHIBIT A**  
**FRANCHISE AGREEMENT**





# FRANCHISE AGREEMENT



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### ATTACHMENTS:

- Attachment A – Franchisee Data Sheet
- Attachment B – Ownership Interest in Franchise Owner
- Attachment C – Owners Agreement



## BAR-B-CLEAN FRANCHISING, INC.

### FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Franchise Agreement”) is made and entered on the “Effective Date,” which is identified in Attachment A to this Franchise Agreement, by and between Bar-B-Clean Franchising, Inc., a California company whose principal business address is 5390 Los Monteros, Yorba Linda, California 92887 (“Franchisor,” “we,” “us” or “our”) and the Franchisee (“Franchisee,” “you,” or “your”) identified in Attachment A to this Franchise Agreement. If more than one person or entity is listed as the franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Franchise Agreement. In consideration of the following mutual promises, the parties agree as follows:

#### 1. RECITALS.

**1.1 System and Marks.** We have the right to use and to license to our franchisees our proprietary and distinctive system (the “System”) relating to the establishment and operation of mobile business that clean and service barbecues for residential and commercial customers within a specific geographic area. We also have the right to use and to license to our franchisees certain service marks, trademarks, trade names, trade dress, logos, slogans, and commercial symbols used to identify the Bar-B-Clean businesses or particular items and services offered (collectively, the “Marks”).

**1.2 Desire to Franchise.** You desire, upon the terms and conditions set forth in this Franchise Agreement, to obtain a license to use the System and Marks in the establishment and operation of a franchise (“Bar-B-Clean Franchise” or “Franchise”) to engage in the business of offering and selling a mobile business that provides on-site cleaning, servicing and polishing of commercial and residential barbecues within a specific geographic area (“Bar-B-Clean Business”). We are willing, upon the terms and conditions set forth herein, to license you to establish and operate the Bar-B-Clean Business using the Marks and the System in a Franchise. Unless the context indicates otherwise, capitalized terms have the meaning ascribed to them in this Franchise Agreement.

**2. GRANT OF FRANCHISE.** Subject to all of the terms and conditions in this Franchise Agreement, we hereby grant you a Bar-B-Clean Franchise for the right and license to develop, own and operate a Bar-B-Clean Business. We reserve all rights not expressly granted to you.

**3. TERRITORIAL RIGHTS AND LIMITATIONS.** We will describe your territory (“Territory”) in Attachment A hereto. Provided that you are in compliance with this Franchise Agreement, we will not establish another Bar-B-Clean Franchise in your Territory. You are prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Territory, without first obtaining our written consent, which may be withheld in our sole discretion. We and our affiliates retain all rights with respect to Bar-B-Clean franchises, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:

(a) to own, franchise or operate Bar-B-Clean Businesses at any location outside of the Territory, regardless of the proximity to your Bar-B-Clean Business;

(b) to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This



includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;

(c) to use and license the use of other proprietary and non-proprietary marks or methods, which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering barbecue cleaning, servicing and polishing to residential and commercial customers and related products and services, at any location, including within the Territory, which may be similar to or different from the Bar-B-Clean Business operated by you;

(d) to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business whether franchised or corporately owned, including a business that competes directly with your Bar-B-Clean Business, whether located inside or outside of your Territory, provided that in such situations the newly acquired businesses located inside of your Territory will not operate under the Marks;

(e) to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

(f) to engage in any other business activities not expressly prohibited by this Franchise Agreement, both within and outside your Territory.

We are not required to pay you if we exercise any of the rights specified above within your Territory. The continuation of the Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency. We do not pay compensation for soliciting or accepting orders inside your Territory.

#### 4. TERM AND RENEWAL.

**4.1. Generally.** The term of this Franchise Agreement will begin on the Effective Date and expire ten years thereafter (the “Term”). If this Franchise Agreement is the initial franchise agreement for your Bar-B-Clean Business, you may enter into one (and only one) successor franchise agreement (a “Successor Agreement”) as long as you meet the conditions for renewal specified below. The Successor Agreement shall be the current form of franchise agreement that we use in granting Bar-B-Clean franchises as of the expiration of the Term or renewal term, as applicable. At the time of signing the new Successor Agreement you will pay the then-current successor fee. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Franchise Agreement. The renewal term will be five years, for a maximum total term of 15 years. If you are signing this Franchise Agreement as a Successor Agreement, the references to “Term” shall mean the applicable renewal term of the Successor Agreement. You will have no further right to operate your Bar-B-Clean Business following the expiration of the renewal term unless we grant you another franchise in our sole discretion. If this Franchise Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Franchise Agreement as well as your remaining renewal rights, if any.

**4.2. Renewal Requirements.** In order to enter into a Successor Agreement, you and your Owners (defined in Section 9, and as applicable) must: (i) notify us in writing of your desire to enter into a Successor Agreement not less than 120 days nor more than 180 days before the expiration of the Term or renewal term, as applicable; (ii) not be in default under this Franchise Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the



Successor Agreement; (iii) sign the Successor Agreement and all ancillary documents (including Owners Agreement or other guaranty) that we require franchisees to sign, the terms of which may vary from this Franchise Agreement in all aspects, including higher royalty rates and other fees and a modification or reduction in your Territory; (iv) sign a general release of claims known and unknown that you may have against us or our affiliates, and their officers, directors, members, shareholders, agents, affiliates, and employees, whether in their corporate and/or individual capacities; (v) complete any required refresher training program; (vi) pay a renewal fee of \$10,000; (vii) if we require, remodel your Vehicle and purchase new equipment to comply with our then-current standards; and (viii) take any additional actions we reasonably require.

**4.3. Interim Term.** If you do not sign a Successor Agreement after the expiration of the Term and you continue to accept the benefits of this Franchise Agreement, then at our option, this Franchise Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise agreement to do so and in violation of our rights; or (ii) continued on a month-to-month basis (the “Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Franchise Agreement will be deemed to take effect upon the termination of the Interim Term.

Except as otherwise permitted by this Section 4, you have no right to continue to operate your Bar-B-Clean Business following the expiration of the Term.

## **5. TRAINING AND CONFERENCES.**

**5.1. Initial Training Program.** Initial training is provided at no charge for one person, which must be you, or, if you are an entity, one shareholder, partner, or member who is a natural person designated in writing to us as the person to make all decisions for the franchisee entity (“Designated Owner”). You (or your Designated Owner) and your designated manager (if applicable) must attend and successfully complete our initial training program to our satisfaction within two months after the Effective Date. You are responsible for airfare, meals, transportation costs, lodging and incidental expenses for all initial training program attendees. If additional initial training is required, or more than one person must be trained, you must pay us the then-current training fee. We reserve the right to vary the length and content of the initial training program as we deem appropriate in our sole discretion based on the experience of the attendee. We shall determine the scheduling, exact duration, contents and manner of the initial training program in our discretion and may delay your attendance until a suitable time near the grand opening date for your Bar-B-Clean Business in our discretion.

**5.2. Additional Training.** From time to time, we may offer refresher or additional training courses for you (or your Designated Owner, if you are an entity), designated manager (if applicable) and other employees. Attendance at some of these training programs may be mandatory while others may be optional. If you appoint a new designated manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Bar-B-Clean Business. If we conduct an inspection of your Bar-B-Clean Business and determine you are not operating in compliance with this Franchise Agreement, we may require that you attend remedial training that addresses your operational deficiencies. You may also request that we provide additional training (either at corporate headquarters or at your Bar-B-Clean Business). We may charge you for all additional or remedial training at our then-current fee (currently \$500 per day per attendee).

**5.3 On-Site Training.** If you request that we provide on-site training at your Bar-B-Clean Business and we agree to do so, in addition to our then-current training fee, you agree to reimburse us for



all reasonable travel, meals, lodging and other expenses that we incur in providing the on-site training. These amounts are due ten days after invoicing.

**5.4 Convention.** We may hold periodic national or regional conventions to discuss various business issues and operational and general business concerns affecting Bar-B-Clean franchisees. We may choose to hold an annual convention and charge Franchisee for an annual convention fee, regardless of whether or not Franchisee attends the annual convention, to help defray the cost of holding the annual convention. You must attend mandatory annual conventions, and may bring key personnel, at such locations as we may reasonably designate, and Franchisee shall pay all expenses of each person attending, including any convention fees and personal expenses, such as travel, lodging, meals, and other personal expenses.

## **6. OTHER FRANCHISOR ASSISTANCE.**

**6.1. Training.** We will provide the training described in Section 5 of this Franchise Agreement.

**6.2. Manual.** During the Term, we will loan you one copy of our confidential franchise brand standards manual (the "Brand Standards Manual"), which might include audiotapes, videotapes, computer disks, compact discs and/or written materials. We may provide the Brand Standards Manual in hard copy format or electronic format, such as USB drive or a password-protected Website. You agree to develop and operate the Bar-B-Clean Business pursuant to this Franchise Agreement and the Brand Standards Manual, including all directives, requirements, standards, methods of operations, systems and any and all modifications, additions, deletions and changes made to the Brand Standards Manual from time to time during the term of this Franchise Agreement (collectively, the "System"), however communicated including, but not limited to intranet system, email, fax, video, verbal or mail. You agree to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures as may be necessary to comply at your sole cost. You agree that the contents of the Brand Standards Manual are confidential and that you will not disclose the Brand Standards Manual to any person other than Bar-B-Clean Business employees and/or independent professionals who need to know its contents. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Franchise Operations Brand Standards Manual. If your copy of the Brand Standards Manual is lost, destroyed, or significantly damaged you shall pay a fee of \$500 to replace the Brand Standards Manual. The information in the Brand Standards Manual is confidential and proprietary and, except as stated above, it may not be disclosed to third parties without our prior approval.

**6.3. Additional Assistance.** Upon reasonable request, we may provide additional assistance or training to you at a mutually convenient time. If we agree to provide this additional assistance or training at your Bar-B-Clean Business, you must pay the then-current fee for additional training (see Section 5.2).

**6.4. General Guidance.** Based upon our periodic inspections of your Bar-B-Clean Business or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Bar-B-Clean Business. Advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods in our discretion.

**6.5. Website.** We will maintain the Bar-B-Clean website to promote the services and products offered at Bar-B-Clean Businesses. We will include the information about your Bar-B-Clean Business that we deem appropriate. We may modify the content of and/or discontinue the website at any time in our sole discretion.



**6.6. Purchase Agreements.** We may negotiate purchase agreements with suppliers and distributors for the benefit of our franchisees to obtain discounted prices for us and Bar-B-Clean franchisees. If we succeed in negotiating a purchase agreement, we will arrange for you to be able to purchase the goods directly from the supplier at the discounted prices that we negotiate (subject to any rebates the supplier pays to us). We may also negotiate rebates from approved suppliers which we may keep or use as we determine in our sole discretion.

## **7. ESTABLISHING YOUR BAR-B-CLEAN BUSINESS.**

**7.1. Opening.** You must open your Bar-B-Clean Business to the public within two months after signing this Franchise Agreement. You may not open your Bar-B-Clean Business before: (i) successful completion of the initial training program; (ii) you purchase all required insurance and provide insurance certificates naming Bar-B-Clean Franchising, Inc. as an additional insured; and (iii) you obtain all required licenses, permits and other governmental approvals and a copy of all such license, permits and approvals are in your business files or are displayed when required.

**7.2. Notice.** If you believe that we or our affiliates have failed to adequately provide any assistance or services to you as provided in this Franchise Agreement, you will notify us in writing within 30 days following ours or our affiliates' provision of such assistance or services. Without the timely provision of such notice to us, you will be deemed to conclusively acknowledge that all such assistance or services required to be provided by us or our affiliates were sufficient and satisfactory in your judgment.

## **8. MANAGEMENT AND STAFFING.**

**8.1. Owner Participation.** You acknowledge that a major requirement for the success of your Bar-B-Clean Business is the active, continuing, and substantial personal involvement and hands-on supervision by your Designated Owner. The Designated Owner must at all times be actively involved in the operation of the Bar-B-Clean Business on a full-time basis unless we authorize you to delegate management functions to a designated manager. Any new Designated Owner that we approve must successfully complete the initial training program pursuant to Section 5.1.

**8.2. Managers.** Under certain circumstances, we may allow you to appoint a manager to assume responsibility for the daily supervision and operation of your Bar-B-Clean Business (a "Designated Manager"), but only if: (i) the Designated Manager successfully completes the initial training program; and (ii) the Designated Manager signs (a) a System Protection Agreement, the current form of which is attached to our Franchise Disclosure Document; or (b) the Owners Agreement, as applicable.

**8.3. Employees.** You must hire, train, and supervise honest, reliable, competent and courteous employees for the operation of your Bar-B-Clean Business. You must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. You must ensure that a sufficient number of trained employees are available to meet the operational standards and requirements of your Bar-B-Clean Business at all times. You must ensure that your employees perform their duties in compliance with the terms of the Brand Standards Manual and any other materials applicable to employees that we communicate to you. You may give your employees only the minimum amount of information and material from the Brand Standards Manual that is necessary to enable them to perform their assigned tasks. You must ensure that your employees do not make or retain any copies of the Brand Standards Manual or any portion of the Brand Standards Manual. We do not control the day to day activities of your employees or the manner in which they perform their assigned tasks. We also do not control the hiring, discipline or firing of your employees. You have sole responsibility and authority for all employment related decisions, including employee selection and



promotion, hours worked, rates of pay and other benefits, work assignments, training and working conditions. Within seven days of our request, you and each of your employees will sign an employment relationship acknowledgment form stating that you alone are the employee's employer and that you alone operate your Bar-B-Clean Business. You will use your legal name on all documents for use with employees and contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and you shall not use the Marks on these documents.

**8.4. Interim Manager.** We have the right, but not the obligation, to designate an individual of our choosing (an "Interim Manager") to temporarily manage your Bar-B-Clean Business for so long as we deem necessary and practical if either: (i) your Designated Owner or Designated Manager ceases to perform the responsibilities of a Designated Owner or Designated Manager (whether due to retirement, death, disability, or for any other reason) and you fail to find an adequate replacement Designated Owner or Designated Manager within 30 days; (ii) you are in ~~material~~ breach of this Franchise Agreement; or (iii) we determine in our sole discretion that your Bar-B-Clean Business is in jeopardy or that operational problems require that we operate your Bar-B-Clean Business. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager, and you agree to indemnify and hold us harmless for and against any of the Interim Manager's acts or omissions, as regards to the interests of you or third parties. If we choose to appoint an Interim Manager to manage your Bar-B-Clean Business you will pay us ~~our then-current~~ management fee ~~of \$250,~~ currently 500 per day, plus all costs and expenses incurred by us and the Interim Manager in managing your Bar-B-Clean Business. You further agree to pay us all of our reasonable attorney's fees and costs incurred as a consequence of our exercise of rights in this Section.

**9. FRANCHISEE AS ENTITY.** If you are a legal entity, you agree to provide us with a list of all persons with a direct or indirect ownership interest in you ("Owners"). All Owners of the entity (whether direct or indirect) are jointly and severally responsible for the entity's performance of this Franchise Agreement and each Owner is bound by all of the terms of this Franchise Agreement. Upon our request, you must provide us with a resolution of the entity authorizing the execution of this Franchise Agreement, a copy of the entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the entity is duly formed and validly existing under the laws of the state of its formation or incorporation. The entity's organizational documents must incorporate the transfer restrictions set forth in this Franchise Agreement as they pertain to a transfer of an interest in the entity.

**10. OWNERS AGREEMENT.** If you are an entity, you shall complete and update throughout the term of this Franchise Agreement, as necessary, the statement of ownership attached hereto as Attachment B. In addition, if you are an entity, all persons who own a direct or indirect ownership interest in you and each individual's respective spouse shall guaranty your performance under this Franchise Agreement by signing the Owners Agreement attached hereto as Attachment C. The Designated Owner shall have the authority to speak for and bind you in all matters pertaining to this Franchise Agreement, and all matters relating to the Bar-B-Clean Business.

## **11. ADVERTISING & MARKETING.**

### **11.1. Brand Fund.**

(a) Permitted Uses. We or our designee ~~shall have the right to establish~~ established, maintain and administer an advertising and marketing fund (hereinafter referred to as the "Brand Fund") for such national and regional advertising programs as we may deem necessary or appropriate, in our sole



discretion. We ~~will~~ have sole discretion on how the Brand Fund is utilized, including but not limited to the following: (i) maintaining, administering, directing and preparing national and/or regional advertising materials and programs; (ii) public relations activities (including, without limitation, the cost of preparing and conducting television, radio, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies to assist therewith, and providing promotional brochures, coupons and other marketing materials; (iii) brand development; and (iv) website development and search engine optimization.

(b) Administration. We ~~will~~ administer the Brand Fund and it ~~will be~~ maintained in a non-interest bearing account that is separate from our general funds, and shall not be used to defray any of our general operating expenses, except for such reasonable administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the Brand Fund and its advertising programs. We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any marketing or promotional activities paid for by the Brand Fund. Any monies remaining in the Brand Fund at the end of any year will carry over to the next year. Although the Brand Fund is intended to be of perpetual duration, we may terminate the Brand Fund. The Brand Fund shall not be terminated, however, until all monies in the Brand Fund have been expended for advertising or promotional purposes or returned to contributing Bar-B-Clean businesses or those operated by us, without interest, on the pro-rated basis of their respective contributions.

(c) Contributions. ~~Once the Brand Fund has been established by us, by~~ By the fifth day of each month, you shall contribute ~~up to~~ 2% of your Gross Revenue each month ("Brand Fund Contribution") (defined in Section 14.2), which we will deposit into the Brand Fund. We will deposit all Brand Fund Contributions paid by you and other franchisees as well as any failure to submit required report fees into the Brand Fund. Any company-owned Bar-B-Clean Business will contribute to the Brand Fund on the same basis as our franchisees. However, if we modify the amount or timing of the Brand Fund Contributions, any company-owned Bar-B-Clean Business that is established or acquired after the modification may contribute to the Brand Fund utilizing the modified amount or timing.

**11.2. Marketing Assistance From Us.** We will assist you in formulating your grand opening marketing activities. We may, but are not obligated to, create and make available to you advertising and other marketing materials for your purchase. We may use the Brand Fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third-party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as needed basis.

### **11.3. Your Marketing Activities.**

(a) Generally. In addition to your required Brand Fund Contributions, you must spend an average of at least \$1,000 per month (as measured on an annual basis) on local advertising ("Local Advertising Requirement") to promote your Bar-B-Clean Business after your grand opening period. We must approve all such advertising in accordance with Section 11.3(d). If you fail to spend the Local Advertising Requirement, you may be required to pay the difference to us, or ~~if established,~~ the Brand Fund. You agree to participate at your own expense in all advertising, promotional, discount and marketing programs that we require, including any advertising cooperative that we establish pursuant to Section 11.4. You also agree to comply with any gift card program that we establish. Subject to applicable law, you must participate in all of the foregoing programs, which may require that you offer products or services at no charge or discounted rates, and may include minimum and maximum price



policies, minimum advertised price policies and unilateral price policies, as permitted by law.

(b) Grand Opening. Before opening and during the first 30 days of operation, you must spend at least \$3,000 on advertising and other marketing activities to promote your Bar-B-Clean Business. We must approve all such advertising in accordance with Section 11.3(d). We will provide you with our suggestions and recommendations for grand opening advertising.

(c) Standards for Advertising. You must order sales and marketing material from us or our designated suppliers.

(d) Approval of Advertising. It is a ~~material~~ breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, including your own website, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. It is a ~~material~~ breach of this Franchise Agreement to use other marketing materials without obtaining our prior written approval. If you use unauthorized advertising materials, you must pay an unauthorized advertising fee of \$500 per occurrence to us, or ~~if established,~~ the Brand Fund.

(e) Internet and Websites. At this time, we do not allow our franchisees to maintain their own websites or market their Bar-B-Clean businesses on the Internet or on any social media site that have not been approved or established by us. Accordingly, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any social networking sites, crowdfunding campaigns or blogs, or through any other digital or electronic method of communication in connection with your Bar-B-Clean Business, except for the accounts we establish on your behalf, which you will be granted access to manage. You may utilize the online accounts that we have established on your behalf only in compliance with the Brand Standards Manual and all of the guidelines that we specify. At any time, we may require that you sign an amendment to this Franchise Agreement that will govern your ability to maintain a website and/or market on the Internet. You agree to comply with any social media policy that we develop and as documented in the Brand Standards Manual.

**11.4. Advertising Cooperative.** We have the right, but not the obligation, to create one or more advertising cooperatives (“Cooperatives”) for the purpose of creating and/or purchasing advertising programs for the benefit of all Bar-B-Clean Businesses operating within a particular region. Franchisees in each Cooperative will contribute an amount to the Cooperative for each Bar-B-Clean Franchise that the franchisee owns that exists within the Cooperative’s area, which amount will be between 1% and 3% of Gross Revenue. Each Bar-B-Clean Business we own that exists within the cooperative’s area will contribute to the cooperative on the same basis as franchisees. We anticipate that each Bar-B-Clean franchisee and each Bar-B-Clean Business that we own will have one vote for each Bar-B-Clean Business operated in the designated market. The Cooperative will be organized and operated according to the rules we prescribe. If we elect to form such cooperatives, or if such cooperatives already exist near your Territory, you will be required to participate in compliance with the provisions of the Brand Standards Manual, which we may periodically modify at our discretion.

## **12. OPERATING STANDARDS.**

**12.1. Generally.** You agree to operate your Bar-B-Clean Business in strict compliance with the provisions of this Franchise Agreement and the standards that we specify in writing, whether in the Brand Standards Manual or otherwise, and as periodically amended, modified, supplemented, or deleted, which we impose on our franchisees in connection with participation in the System, including all



mandatory and suggested specifications, policies, rules, techniques, and procedures we promulgate about System operation usage (collectively, the “System Standards”).

**12.2. Brand Standards Manual.** You agree to establish and operate your Bar-B-Clean Business in accordance with the Brand Standards Manual and the System Standards. The Brand Standards Manual may contain our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Bar-B-Clean Business and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Brand Standards Manual or through other written communication (including electronic communication such as email or through a system-wide intranet). The modifications will become binding 30 days after we send you notice of the modification. All mandatory provisions of the System Standards, including those that are contained in the Brand Standards Manual (whether they are included now or in the future) are binding upon you.

**12.3. Authorized Goods and Services.** You agree to offer all goods and services that we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services at your Bar-B-Clean Business without our prior written permission. If you wish to offer additional goods or services, we will inspect a new product, service, or proposed supplier nominated by you, and you shall pay us for the costs of that inspection. You may not use your Bar-B-Clean Business or permit your Bar-B-Clean Business to be used for any purpose other than offering the goods and services that we authorize. We may, without obligation to do so, add, modify or delete authorized goods and services, and you must do the same upon notice from us. Our addition, modification or deletion of one or more goods or services shall not constitute a termination of the Bar-B-Clean Franchise or this Franchise Agreement.

**12.4. Suppliers and Purchasing.** You agree to purchase or lease all products, supplies, equipment, services, inventory and other items specified in the Brand Standards Manual that we require and maintain a supply of all such items in accordance with the Brand Standards Manual. If required by the Brand Standards Manual, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliates). You acknowledge that our right to specify the suppliers that you may use is necessary and desirable so that we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ongoing operation of Bar-B-Clean Businesses, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we are able to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based upon franchisee purchases, we may, but are not required to, deposit these amounts into the Brand Fund. If you want us to approve a supplier that you propose, you must send us a written notice specifying the supplier’s name and qualifications and provide any additional information that we request. You must reimburse us for our costs related to the customer issue of any product or supplier that you wish to offer. We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. We are under no obligation to approve any request that you make and, if your request is not approved within 30 days, it shall be deemed denied. We may require that the supplier agree to certain commercially reasonable conditions as a condition to our approval, including maintaining adequate insurance and signing a license agreement with us for the supply of any products bearing our Marks. We reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications.

You must purchase a “Franchise Equipment Package” of startup items from us (or our affiliate) at a cost of \$5,000 when you sign this Franchise Agreement. The Franchise Equipment Package will be delivered to your Bar-B-Clean Business at a designated time before you begin initial training. The



Franchise Equipment Package includes equipment, supplies, initial marketing materials and two cases (24 cans) of Bar-B-Clean Cleaner. The Franchise Equipment Package is fully earned upon receipt and is not refundable under any circumstances.

**12.5. Software and Technology.** You agree to enter into a license agreement with us, at the time of signing this Franchise Agreement, (or an affiliate of ours) for our proprietary customer relationship management software (“CRM”). The terms of the license agreement will govern the terms pursuant to which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third-party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology. We may pass through all software and technology development costs to our franchisees on a pro-rata basis. You will, at your expense, purchase and maintain any computer tablet, hardware and software, communication equipment, communication services, Internet services (including the requirement to maintain a high-speed Internet connection), dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment (collectively, “Computer System”) that we may specify for use in the Bar-B-Clean Business. You will provide any assistance we require to connect your Computer System with our computer system. We will have the right at any time to retrieve data and other information from Computer System as we, in our sole discretion, deem necessary or desirable. You shall ensure that we have access at all times to your Computer System, at your cost. You will keep the Computer System in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications, or substitutions to your Computer System as we may specify periodically. You must use any credit card vendors and accept all credit cards and debit cards that we determine; the term “credit card vendors” includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, “Apple Pay” and “Google Wallet”). You are required to pay our then-current technology fee (“Technology Fee”) in accordance with the terms of Section 14.3 of this Franchise Agreement for the use of certain technologies used in the operation of your Bar-B-Clean Business. We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System.

We reserve the right to upgrade, modify and add new systems and software, which may result in additional initial and ongoing expenses that you will be responsible for. You will be responsible for any increase in fees that result from any upgrades, modifications or additional systems or software and for any increase in fees from third-party providers. We reserve the right to: (i) require you to license or purchase certain business solutions and software that will support your business efficiencies, including security systems, phone systems, scheduling software, employee shift/task management software, back office financial software, music subscription, inventory solutions and other solutions; (ii) upgrade, modify and add new solutions, software and technologies; (iii) change or add approved suppliers of these services at any time, in our sole discretion; and (iv) increase or decrease the Technology Fee and other technology and licensing and expenses that you are required to pay under this Franchise Agreement upon 30 days’ written notice to you. You acknowledge and agree that changes to technology are dynamic and not predictable within the Term of this Franchise Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System and you agree to comply with those reasonable new standards that we establish as if we periodically revised this Section for that purpose.

**12.6. Vehicle.** You agree to use a vehicle (“Vehicle”) for your Bar-B-Clean Business that is clean and free of any major or minor damage. You may use a vehicle you currently own as your Vehicle provided that it meets our specifications and that we approve your Vehicle prior to use. We reserve the right to revoke our approval of any Vehicle should it no longer meet our standards or specifications.



**12.7. Fixtures, Equipment and Supplies.** If you choose to operate from an office space, you must purchase and install, at your own cost, all fixtures, furnishings, equipment, supplies and signage in conformance with the Brand Standards Manual and our specifications and requirements.

**12.8. Hours of Operation.** Your Bar-B-Clean Business must be open during the minimum hours and days that we specify. You must establish specific hours of operation and submit those hours to us for approval.

**12.9. Customer Issue Resolution.** If you receive a customer complaint, you must follow the complaint resolution process that we specify within the Brand Standards Manual to protect the goodwill associated with the Marks. If we are contacted by a customer of your Bar-B-Clean Business with a complaint that we then subsequently handle, at our discretion, you will be responsible for all costs (including, but not limited to, the costs of any gift cards, refunds, or other items of value) that we incur in responding to said complaint.

**13. FRANCHISE ADVISORY COUNCIL.** We may, but need not, create a franchise advisory council to advise us on advertising policies. The advisory council will be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council who will communicate with us on matters raised by the advisory council. We will have the power to form, change or dissolve any advisory council, in our sole discretion.

#### **14. FEES.**

**14.1. Initial Franchise Fee.** You agree to pay us a nonrecurring and non-refundable initial franchise fee (“Initial Franchise Fee”) in the amount specified in Attachment A, payable in one lump sum at the time you sign this Franchise Agreement. If, at the time you sign this Franchise Agreement, you and we agree to increase your Territory, the Initial Franchise Fee will be increased by \$1.50 multiplied by the number of Qualified Households in your Territory beyond 75,000 (including Franchise Agreements under a Multi-Franchise as defined below) at the time of signing this Franchise Agreement. “Qualified Household(s)” are households that are owner-occupied with a household income of \$60,000 or more. The Initial Franchise Fee is fully earned by us when received (and in the case of a promissory note, when such note is executed) and is not refundable under any circumstances (even if you fail to open one your Franchise).

You may, at the time you sign this Franchise Agreement, purchase the rights to open either a single Franchise or multiple franchises (a “Multi-Franchise”). If you purchase a Multi-Franchise you will sign the “Multi-Franchise Addendum” the form of which is attached to the Franchise Disclosure Document in Exhibit H. To open additional Bar-B-Clean Franchises under a Multi-Franchise, you will be required to sign our then-current franchise agreement for each additional Bar-B-Clean Franchise that you open, but you will not be required to pay an Initial Franchise Fee (all other fees, including the Franchise Equipment Package, will apply). The Initial Franchise Fee is fully earned by us when received and is not refundable under any circumstances (even if you fail to open one your Franchise).

**14.2. Royalty.** You agree to pay us a monthly royalty fee (“Royalty”). The Royalty shall be equal to the greater of: i) 6% of the monthly Gross Revenue; or ii) \$500 per month (“Minimum Royalty”). You will not be required to pay the Minimum Royalty for the first six months of the Term of this Franchise Agreement. “Gross Revenue” means the revenues you receive from the sale of all goods, products and services sold at, from, or through your Bar- B-Clean Business and all other income, revenue and consideration of every kind and nature related to the Bar-B-Clean Business, whether for cash or credit, and regardless of collection in the case of credit, and all proceeds from any business interruption



insurance, but not including: (a) any sales taxes or other taxes you collect from customers for, and thereafter paid directly to, the appropriate taxing authority; and (b) any bona fide refunds you make to customers. You may deduct from Gross Revenue the direct, wholesale cost of acquiring approved goods and products that you have actually sold through your Bar-B-Clean Business as long as you provide us with verifiable documentation of such costs you incurred. Gross Revenue includes the full redemption value of any gift certificate or coupon sold for use at your Bar-B-Clean Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from this calculation), whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property, or other means of exchange. Gross Revenue is deemed received by you at the time the services or products from which they were derived are delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on an account receivable) actually has been received by you.

**14.3. Technology Fee; Other Fees and Payments.** You must pay us a Technology Fee, currently \$400500 per year. The Technology Fee shall be prorated based on the number of months that you were in operation during the year. Currently, the Technology Fee is owed to us on May 31 of each year, but we may change the timing of payments. You agree to pay all other fees, expense reimbursements and other amounts specified in this Franchise Agreement in a timely manner as if fully set forth in this Section 14. We reserve the right to increase this fee up to \$1,000 per year upon 30 days' written notice to you.

**14.4. Late Fee.** If any sums due under this Franchise Agreement have not been received by us, or our affiliates when due, in addition to those sums, you must pay a late payment fee of \$100 per occurrence, plus the lesser of the daily equivalent of 12% per year simple interest or the highest rate allowed by law. Furthermore, if there are insufficient funds in your account to cover any sums owed to us when due, then you will also be required to pay a non-sufficient funds fee in the amount of the lesser of \$50 per occurrence or the highest amount allowed by law.

**14.5. Method of Payment.** You are required to pay all fees and other amounts due to us or our affiliates via electronic funds transfer ("EFT") or other means approved by us. You must complete and send us an EFT authorization form allowing us to electronically debit a banking account that you designate for all fees payable to us pursuant to this Franchise Agreement. We will debit your account for these payments on or after the due date. Our current form of EFT authorization form is attached to the Franchise Disclosure Document in Exhibit H. You must sign and deliver to us any other documents that we or your bank may require to authorize us to debit your account for these amounts. You must ensure that your account has sufficient funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with any late charge imposed pursuant to Section 14.4. If payment is made to us or our affiliate by credit card for any fee required, we may charge a service charge of up to 3% of the total charge.

**14.6. Application of Payments.** We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

**14.7. Method and Frequency.** Our current billing period is monthly, with payments due by the 5<sup>th</sup> of each month. We have the right to periodically specify (in the Brand Standards Manual or otherwise in writing) different payees, payment frequencies and/or payment methods, such as, but not limited to, weekly/biweekly/monthly payment, payment by auto-draft, credit card and payment by check. Any change to the billing method or frequency will apply to your Royalty as well as your Brand Fund Contributions, all of which are due on the same day.



**14.8. CPI Adjustments to Fixed Fees.** All fees expressed as a fixed dollar amount in this Franchise Agreement are subject to adjustment based on changes to the Consumer Price Index in the United States. We may periodically review and increase these fees based on changes to the Consumer Price Index, but only if the increase to the Consumer Price Index is more than 5% higher than the corresponding Consumer Price Index in effect on: (a) the effective date of the Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one fee adjustment during any calendar year. Notwithstanding the foregoing, the fee adjustments in this Section shall not impact fees which we reserve the right to increase in higher amounts or to adjust more frequently, including but not limited to the Technology Fee.

## **15. BRAND PROTECTION COVENANTS.**

**15.1. Reason for Covenants.** You acknowledge that the Intellectual Property and the training and assistance that we provide would not be acquired except through implementation of this Franchise Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners have received an advantage through knowledge of our day to day operations, confidential information, and trade secrets related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our franchise System.

**15.2. Our Confidential Information.** You and the Owners agree: (i) neither you nor any Owner will use any of our Confidential Information (defined in Section 18.1) in any business or capacity other than the operation of your Bar-B-Clean Business pursuant to this Franchise Agreement; (ii) you and the Owners will maintain the confidentiality of our Confidential Information at all times; (iii) neither you nor any Owner will make unauthorized copies of documents containing any of our Confidential Information; (iv) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of our Confidential Information; and (v) you and the Owners will stop using our Confidential Information immediately upon the expiration, termination or Transfer of this Franchise Agreement, and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Franchise Agreement will stop using our Confidential Information immediately at the time he or she ceases to be an Owner. Notwithstanding the foregoing, the restrictions on the disclosure and use of our Confidential Information will not apply to disclosure of Confidential Information: (a) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (b) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (c) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney and for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and Confidential Information is not otherwise disclosed except pursuant to court order

### **15.3. Unfair Competition.**

(a) During the term of this Franchise Agreement, other than the Bar-B-Clean Business, you (and, if you are an entity, your owners, officers, and directors) and your managers will not: (i) engage in, assist, acquire, advise, consult with, be employed by, own, or become associated in any way with any Competitive Business, as defined below, without our prior express written consent; or (ii) solicit or otherwise attempt to divert any customer of us or our affiliates or any other Bar-B-Clean business to a Competitive Business.



(b) Upon our termination of this Franchise Agreement according to its terms and conditions, upon transfer of this Franchise Agreement, or upon expiration of this Franchise Agreement without renewal, you agree that, for one year beginning on the effective date of termination, the effective date of transfer, the expiration date or the date on which all persons restricted by this Section 15.3 begin to comply with this Section 15.3, you (and, if you are an entity, your owners, officers, and directors) and your managers will not: (i) engage in any Competitive Business located within the Territory or within 50 miles of your Bar-B-Clean Business or within 1 mile of any other Bar-B-Clean businesses in the System that are operating or under development; or (ii) solicit or otherwise attempt to divert any customer of us or our affiliates or any other Bar-B-Clean business to a Competitive Business.

(c) A “Competitive Business” shall mean business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Territory (including, but not limited to, the services we authorize), but excludes a Bar-B-Clean business operating pursuant to a franchise agreement with us.

**15.4. Employees and Others Associated with You.** In addition to any Designated Manager, if you are an entity, any of your officers that do not own equity in you, must sign the System Protection Agreement. You must ensure that all of your employees, officers, directors, partners, members, independent contractors and other persons associated with you or your Bar-B-Clean Business who may have access to our Confidential Information, and who are not required to sign a System Protection Agreement, sign and send us a Confidentiality Agreement (the current form of which is attached to the Franchise Disclosure Document in Exhibit H) before having access to our Confidential Information. You must use your best efforts to ensure that these individuals comply with the terms of the System Protection Agreements and Confidentiality Agreements, as applicable, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a System Protection Agreement or Confidentiality Agreement, as applicable, including reasonable attorneys’ fees and court costs.

**15.5. Covenants Reasonable.** You and the Owners acknowledge and agree that: (i) the terms of this Franchise Agreement are reasonable; (ii) our use and enforcement of covenants similar to those described above with respect to other Bar-B-Clean franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Franchise; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Franchise Agreement. **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 15 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

**15.6. Breach of Covenants.** You explicitly affirm and recognize the unique value and secondary meaning attached to the System and the Marks. Accordingly, you agree that any non-compliance by you with the terms of this Franchise Agreement, or the Brand Standards Manual, or any unauthorized or improper use of the System or the Marks, will cause irreparable damage to us and other franchisees. You therefore agree that if you engage in this, or any non-compliance or unauthorized and/or improper use of the System or Marks, during or after the period of this Franchise Agreement, we will be entitled to both temporary and permanent injunctive relief, without the need of a bond, against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law. You consent to the entry of these temporary and permanent injunctions.



## 16. YOUR OTHER RESPONSIBILITIES.

**16.1. Insurance.** You shall procure, at your sole expense, and maintain in full force and effect during the term of this Franchise Agreement, an insurance policy or policies protecting you, us, our respective officers, directors, partners and employees against any loss, liability, personal injury, death or property damage or expense whatsoever arising or occurring upon or in connection with the Bar-B-Clean Business, as we may reasonably require for our own and your protection. You shall ensure that we and our affiliates are named as additional insureds in such policy or policies (except for employment liability insurance policies).

Such policy or policies shall be written by an insurance carrier or carriers rated “A” or better in the latest issue of A.M. Best’s Key Rating Guide and which are licensed in the state in which you operate in accordance with standards and specifications set forth in the Brand Standards Manual or otherwise in writing, and shall include, at a minimum (except as different coverages and policy limits may reasonably be specified for all franchisees from time to time by us in the Brand Standards Manual or otherwise in writing), the following: (1) comprehensive general liability coverage, including products liability coverage, and liability coverage of owned and non-owned automobiles, under one or more policies of insurance containing minimum liability coverage of \$1,000,000 per occurrence for bodily injury and property damage, and multi-peril package, and umbrella coverage of an additional \$1,000,000; (2) business interruption for a period adequate to re-establish normal business operations; (3) workers’ compensation and employer’s liability insurance as well as any other insurance that may be required by statute or rule in the state in which your Bar-B-Clean Business is located; and (4) any other insurance that we may require in the future or that may be required according to the terms of your lease.

The amounts required herein may be modified from time to time by us to reflect inflation or future experience with claims. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by us. Within two months of the signing of this Franchise Agreement, but in no event later than 30 days prior to commencement of operations of the Bar-B-Clean Business, a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by you to us for approval. Such certificate shall state that said policy or policies shall not be canceled or altered without at least 30 days’ prior written notice to us and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by you of the obligations under this Section 16 shall not relieve you of liability under the indemnity provision set forth in this Franchise Agreement. Minimum limits as required above may be modified from time to time by us, as conditions require, by written notice to you.

Should you, for any reason, not procure and maintain such insurance coverage as required by this Franchise Agreement, we shall have the right and authority (without, however, any obligation to do so) to immediately procure such insurance coverage and to charge same to you, as well as a 20% administration charge for our expenses and efforts in connection with such procurement, payable by you immediately upon notice.

**16.2. Books and Records.** You shall maintain during the term of this Franchise Agreement, and shall preserve for at least five years from the dates of their preparation, full, complete, and accurate books, records, computer record backups and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by us from time to time in the Brand Standards Manual or otherwise in writing. You must send us copies of your books and records within seven days of our request. The person who provides you with bookkeeping and accounting services must: (i) successfully complete all training that we reasonably require to ensure the person is familiar with our systems and procedures; and (ii) agree to utilize our accounting standards and chart of accounts to ensure consistency of information received from all of our franchisees.



**16.3. Reports.** You must prepare and provide us with periodic statements of your gross sales using a standard chart of accounts that we specify. On or before each Royalty due date, you must send us your gross sales report for the preceding billing period. On or before the fifth day of each month, you must also prepare and send us a statement of your expenditures on local advertising required by Section 11.3 that were incurred during the prior month (which statement must be accompanied by copies of receipts for such expenditures). If you fail to submit any required report or financial statement (see Section 16) when due, you must pay a fee of \$100 per occurrence plus \$100 per week until the report or statement is submitted; this fee shall be paid to us, or ~~if established in our discretion~~, to the Brand Fund. We (or our designee) have the right to independently access the electronic information and data relating to your Bar-B-Clean Business and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Franchises. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your computer system remotely, in your Bar-B-Clean Business or from other locations.

**16.4. Financial Statements.** You shall, at your expense, provide to us an annual profit and loss statement and balance sheet, together with a review report prepared by an independent certified public accountant satisfactory to us, within 90 days after the end of each fiscal year of the Bar-B-Clean Business during the term hereof, showing the results of operations of the Bar-B-Clean Business during said fiscal year.

**16.5. Legal Compliance.** You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Bar-B-Clean Business and operate and manage your Bar-B-Clean Business in full compliance with all applicable laws, ordinances, rules and regulations. You understand that federal and state laws may regulate you and your Bar-B-Clean Business and you agree to comply with all such laws. You must withhold and pay all applicable federal and state taxes, social security taxes and sales use and service taxes. Certain states tax services differently. Some states do not tax services at all, while some make a distinction between commercial and residential jobs. It is your responsibility to review your state's tax policy to ensure compliance. You must in all dealings with its clients, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Bar-B-Clean Businesses. You are required to hire local counsel to review these laws to ensure the operation of your Bar-B-Clean Business, and your performance of your obligations under this Franchise Agreement, comply with such laws. You must notify us in writing within two business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Bar-B-Clean Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency that reflects your failure to fully comply with any applicable law, rule or regulation.

## 17. INSPECTION AND AUDIT.

**17.1. Inspections.** To ensure compliance with this Franchise Agreement, we or our representatives will have the right to evaluate your operations and inspect and examine your books, records, accounts and tax returns. Our evaluation may include monitoring your interactions with and provision of services to customers and contacting your customers and/or employees. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Bar-B-



Clean Business, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection, except as prohibited by law.

**17.2. Audit.** We have the right, at any time, to have an independent audit made of your books and financial records, subject to any restrictions imposed by applicable law. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement of your gross sales or any amount that you owe us, you agree to immediately pay to us any additional fees that you owe us together with any late fee payable pursuant to Section 14.4. Any audit will be performed at our cost and expense unless the audit: (i) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Franchise Agreement; or (ii) reveals an understatement of any amount due to us by at least 2%, in which case you agree to reimburse us for the cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees, and any travel, meals, and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due five days after invoicing. We shall not be deemed to have waived our right to terminate this Franchise Agreement by accepting reimbursements of our audit costs.

## **18. INTELLECTUAL PROPERTY & CONFIDENTIAL INFORMATION.**

**18.1. Ownership and Use of Intellectual Property.** We possess certain non-public trade secrets, proprietary information, technical data, or know-how that relate to our business, System, services, or items, or to a Bar-B-Clean Business, including the Confidential Operations Manual, copyrights, trade secrets, quality-control systems, training materials, (collectively, "Confidential Information") that we will provide to you. Without limiting the generality of the foregoing, "Confidential Information" includes your customer list (including current, former and prospective customers), and all customer contracts and related information. Throughout the term of this Franchise Agreement we will provide you with certain access to or the use of our Confidential Information, the Marks, our copyrights, and the System (collectively, "Intellectual Property"). You acknowledge that: (i) we are the sole and exclusive owner of the Intellectual property and the goodwill associated with the Intellectual Property; (ii) your right to use the Intellectual Property is derived solely from this Franchise Agreement; and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Bar-B-Clean Business during the Term pursuant to, and only in compliance with, this Franchise Agreement, the Brand Standards Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of our Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Brand Standards Manual governing your use of the Intellectual Property. This Franchise Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

**18.2. Changes to Intellectual Property.** We have the right to modify the Intellectual Property at any time in our sole discretion, including by changing the Marks, the System, our copyrights or our Confidential Information. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within a reasonable time after receiving notice (not to exceed 30 days from the date of notice). If we require you to change the Marks, we will have no obligation to reimburse you for your expenses of compliance, such changing signage, brochures, stationary, etc. Moreover, we will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

**18.3. Use of Marks.** You agree to use the Marks as the sole identification of your Bar-B-Clean Business; provided, however that you must identify yourself as the independent owner of your Bar-



B-Clean Business in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Franchise Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

**18.4. Use of Confidential Information.** We will disclose certain Confidential Information to you in the initial training program, the Brand Standards Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Confidential Information other than the right to utilize it in strict accordance with the terms of this Franchise Agreement in the development and operation of your Bar-B-Clean Business. You acknowledge that our Confidential Information is proprietary and is disclosed to you solely for use in the development and operation of your Bar-B-Clean Business during the Term.

**18.5. Improvements.** If you conceive of or develop any improvements or additions to the services or products offered by, or the method of operation of, a Bar-B-Clean Business, or any advertising or promotional ideas related to such business (collectively, “Improvements”), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate a Bar-B-Clean franchise, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a Bar-B-Clean Business.

**18.6. Notification of Infringements and Claims.** You agree to notify us immediately of any apparent infringement of or challenge to your use of any Mark, or of any person’s claim of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, regarding any infringement, challenge or claim. We may take the action we deem appropriate (including no action) and may control exclusively any settlement, litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. You agree to sign any documents and take any actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

**19. INDEMNITY.** You shall, during the Term and any successor terms and after the termination or expiration of this Franchise Agreement, indemnify and defend us, our affiliates, parents, subsidiaries or related companies, divisions and partnerships, and their respective past and present stockholders, partners, directors, officers, employees, agents, attorneys and assignees, and the spouses of such individuals (“Indemnified Parties”) for, and hold the Indemnified Parties harmless against, any loss, liability, taxes or damages (actual or consequential) and all reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses), including the following: (i) the use or operation of your Bar-B-Clean Business; (ii) a breach of this Franchise Agreement, or any other agreement between the parties; (iii) any injury to, or loss of property used by you to operate the Bar-B-



Clean Business; (iv) your taxes, liabilities, costs or expenses of your Bar-B-Clean Business; (v) any negligent or willful act or omission of you, your officers, directors, managers, members, partners, employees, agents, servants, contractors or others for whom it is, in law, responsible; (vi) any violation of any federal, state or local law, ordinance or regulation imposing requirements or prohibitions on you in the operation of the Bar-B-Clean Business; (vii) any advertising or promotional material distributed, broadcasted or in any way disseminated by you, or on its behalf unless such material has been produced, or approved in writing, by us; (viii) any loss of data including, but not limited to customer information, resulting from a breach of such data caused in whole or in part by you or your negligence; (ix) your employment or other contractual relationship with your employees, workers, managers, or independent contractors, including but not limited to any allegation, claim, finding or ruling that we are an employer or joint employer of your employees; (x) your failure to pay the monies payable (to us or any of our affiliates) pursuant to this Franchise Agreement, or to do and perform any other act, matter, or thing required by this Franchise Agreement; or (xi) any action by us to obtain performance by you of any act, matter, or thing required by the Franchise Agreement.

We agree to indemnify you against, and reimburse you for, all damages for which you are held liable in any trademark infringement proceeding arising out of your use of any Mark pursuant to and in compliance with this Franchise Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim, have not altered the Mark, and have otherwise complied with this Franchise Agreement.

We and any other party which is indemnified by this Section 19 has the right to defend any claim brought under this Section 19 and such defense shall not be considered a waiver of the party's rights to indemnification under this Section 19.

## **20. TRANSFERS.**

**20.1. By Us.** You acknowledge that our obligations under this Franchise Agreement are not personal. We shall have the absolute right, in its sole discretion and at any time, to unconditionally transfer or assign this Franchise Agreement or any of its rights or obligations under this Franchise Agreement to any person, corporation or other party. We reserve the right to assign the franchise System to anyone, including the operator of a competing national or regional chain or franchise system. You acknowledge and agree that we may sell our assets, the Marks or the System to any third party of our choice; may offer its securities privately or publicly; may merge with or acquire other business entities or be acquired by another business entity; may permit and participate in any transfer or distribution of our securities in connection with a spin-off; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any such case without your consent and, provided the transferee expressly assumes and undertakes to perform our obligations in all material respects, do so free of any responsibility or liability whatsoever to you after the transaction occurs.

**20.2. By You.** You understand that the rights and duties created by this Franchise Agreement are personal to you and the Owners and we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner nor any immediate or remote successor to any part of your interest in this Franchise Agreement, nor any individual or legal entity that directly or indirectly owns any interest in you will, voluntarily or involuntarily, sell, encumber, assign, exchange, transfer, convey, pledge, merge, or give away any direct or indirect interest in this Franchise Agreement, or in you, or in all or substantially all of the assets of the Bar-B-Clean Business (collectively, a "Transfer") without our prior written approval. Any Transfer without our approval shall be void and constitute a breach of this Franchise Agreement. We will not unreasonably withhold our approval of any proposed Transfer,



provided that the following conditions are all satisfied:

(a) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to own and operate a Bar-B-Clean Business and otherwise meets all of our then applicable standards for franchisees;

(b) you and your Owners are in full compliance with the terms of this Franchise Agreement and all other agreements with us or our affiliate, including payment of all amounts due;

(c) all of the owners of the transferee have sufficient business experience and financial resources and have successfully completed, or made arrangements to attend, the initial training program;

(d) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Bar-B-Clean Business;

(e) the transferee and its owners sign our then-current form of franchise agreement and ancillary documents, including Owners Agreement (unless we, in our sole discretion, instruct you to assign this Franchise Agreement to the transferee), except that: (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Franchise Agreement; and (b) the transferee need not pay a separate initial franchise fee;

(f) you pay us a \$1,000 non-refundable deposit at the time that you submit a transfer application and pay the remainder of the transfer fee (which is \$9,000, for a total of \$10,000, plus any applicable commissions) at the time we approve the transfer;

(g) you and your Owners sign a general release for all claims arising before or contemporaneously with the Transfer;

(h) we decline to exercise our right of first refusal described in Section 20.4;

(i) in addition to the transfer fee, you will reimburse us upon receipt of our invoice for any broker or other placement fees we incur as a result of the transfer; and

(j) you or the transferring Owner, as applicable, and the transferee have brought the Bar-B-Clean Business up to our then-current standards and have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

**20.3. Death or Disability of an Owner.** If you are an individual, upon your death or permanent disability or, if you are an entity, upon the death or permanent disability of an Owner, the executor, administrator, conservator or other personal representative shall transfer the interest in this Franchise Agreement or the ownership interest within a reasonable time, not to exceed 180 days from the date of death or permanent disability, to a third party approved by us. An assignment under this Section including, without limitation, transfer by devise or inheritance, will be subject to all of the terms and conditions contained in Section 20.2 of this Franchise Agreement, and unless transferred by gift, devise or inheritance, subject to our right of first refusal in Section 20.4 of this Franchise Agreement. Failure to dispose of such interest within the specified period of time will constitute a breach of this Franchise



Agreement. For purposes of this Section, the term “permanent disability” will mean a mental or physical disability, impairment or condition that is reasonably expected to prevent, or actually does prevent, Franchisee or an Owner entity from supervising the operation of the Bar-B-Clean Business for a period of at least three months from the onset of such disability, impairment or condition.

**20.4. Our Right of First Refusal.** Any individual or entity holding any direct or indirect interest in this Franchise Agreement or in a substantial portion of the assets of the Bar-B-Clean Business or in you (if you are an entity) and who desires to accept any bona fide offer from a third party to purchase the relevant interest or assets must notify us in writing of each offer, and must provide the information and documentation relating to the offer as we may require. We have the right and option, exercisable within 60 days after receipt of this written notification, to send written notice to the seller that we or our designee intend to purchase the seller’s interest on the same terms and conditions offered by the third party. If we or our designee elect to purchase the seller’s interest, closing of the purchase will occur within 60 days from the date of notice to the seller of the election to purchase by us or our designee. If we decline to purchase the seller’s interest, the seller will have 90 days from the date it gives written notice to us of its purchase offer to sell its interest on the same terms and conditions and to the same transferee as described to us in the written notice. Any material change thereafter in the terms of the offer from a third party will constitute a new offer that will be subject to our right of first refusal under this Franchise Agreement. Our failure to exercise the option afforded by this Section will not constitute a waiver of any other provision of this Franchise Agreement. If the consideration, terms or conditions offered by a third party are of the type that we or our designee may not reasonably be able to furnish the same consideration, terms or conditions, then we or our designee may purchase the relevant interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration terms or conditions offered by the third party, then each party will select an independent appraiser. The two appraisers will then have up to 15 business days to agree on a reasonable equivalent in cash. If they cannot agree during that period, then the reasonable equivalent in cash will be the average of the two appraisals. Our right of first refusal is fully assignable by us. If we fail or refuse to exercise our option and the Bar-B-Clean Business is not subsequently sold to the proposed purchaser for any reason, we shall continue to have, upon the same conditions, a first option to purchase the Bar-B-Clean Business upon the terms and conditions of any subsequent offer.

## **21. TERMINATION.**

**21.1. By You.** You may terminate this Franchise Agreement if we ~~materially~~ breach this Franchise Agreement and fail to cure the breach within 30 days after you send us a written notice specifying the nature of the breach. If you terminate this Franchise Agreement, you must still comply with your post-termination obligations described in Section 22 and all other obligations that survive the expiration or termination of this Franchise Agreement.

**21.2. Termination By Us Without Cure Period.** We may, in our sole discretion, terminate this Franchise Agreement effective immediately upon delivery of notice of termination to you, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Franchise Agreement:

(a) if an Owner fails to satisfactorily complete the initial training program in the manner required by Section 5.1;

(b) if you fail to open your Bar-B-Clean within the time period required by Section 7.1;



(c) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);

(d) if your Bar-B-Clean Business, or a substantial portion of the assets associated with your Bar-B-Clean Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you of at least \$5,000 remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Franchise Agreement or upon any property used in your Bar-B-Clean Business, and it is not discharged within five days of the levy;

(e) if you abandon or fail to operate your Bar-B-Clean Business for five consecutive business days, unless the failure is due to an event of force majeure or another reason that we approve;

(f) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Bar-B-Clean Business, even if you or the Owner still maintain appeal rights;

(g) if you or an Owner (a) is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other ~~material~~-crime or (b) is subject to any ~~material~~-administrative disciplinary action or (c) fails to comply with any ~~material~~ federal, state or local law or regulation applicable to your Bar-B-Clean Business;

(h) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks;

(i) if you manage or operate your Bar-B-Clean Business in a manner that presents a health or safety hazard to your customers, employees or the public;

(j) if you fail to pay any amount owed to us or an affiliate of ours within five days after receipt of a demand for payment;

(k) if you or an Owner make any ~~material~~ misrepresentation to us, whether occurring before or after being granted the franchise, including any intentional underreporting gross sales;

(l) if you inadvertently underreport any amount owed to us by at least 2%, after having already committed a similar breach that had been cured in accordance with Section 21.3;

(m) if you make an unauthorized Transfer;

(n) if you use or disclose any of the Intellectual Property without our permission or in a manner other than as authorized by the System Standards;

(o) if you breach any of the brand protection covenants described in Section 15;

(p) if any Owner, or the spouse of any Owner, breaches the Owners Agreement;

(q) if you commit three or more defaults during the Term, regardless of whether such defaults were cured; or



(r) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default.

**21.3. Additional Conditions of Termination.** In addition to our termination rights in Section 21.2, we may, in our sole discretion, terminate this Franchise Agreement upon five days' written notice if you fail to make any payment due to us under this Franchise Agreement, and upon 30 days' written notice if you or an Owner fails to comply with any other provision of this Franchise Agreement (including any mandatory provision in the Brand Standards Manual) or any other agreement with us, all of which constitute material events of default under this Franchise Agreement, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 21.3, we may suspend performance of any of our obligations under this Franchise Agreement until you fully cure the breach.

**21.4. Mutual Agreement to Terminate.** If you and we mutually agree in writing to terminate this Franchise Agreement, you and we will be deemed to have waived any required notice period.

**21.5. Professional Fees.** You must reimburse us for any and all legal or accounting fees that we incur as a result of any breach or termination of this Franchise Agreement. If we are required to incur any expenses in enforcing our rights against you under this Franchise Agreement you must reimburse all costs.

## **22. POST-TERM OBLIGATIONS.**

**22.1. Obligations of You and the Owners.** After the termination, expiration or Transfer of this Franchise Agreement, you and the Owners agree to:

- (a) immediately cease to use the Intellectual Property;
- (b) pay us all amounts that you owe us;
- (c) comply with all covenants described in Sections 15 and 22 that apply after the expiration, termination or Transfer of this Franchise Agreement or the disposal of an ownership interest by an Owner;
- (d) return all copies of the Brand Standards Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, our copyrights or other identification relating to a Bar-B-Clean Business, unless we allow you to transfer such items to an approved transferee;
- (e) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;
- (f) provide us with all records related to your Bar-B-Clean Business and a list of all of your current, former and prospective customers, unless prohibited by applicable law;
- (g) upon our request, assign all customer contracts and related information to us (unless we allow you to transfer these items to an approved transferee) except to the extent prohibited by applicable law;
- (h) make such modifications and alterations to the Vehicle or any premises used by the Bar-B-Clean Business that are necessary or that we require to prevent any association between us or



the System and any business subsequently operated by you or any third party at the premises; provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee or if we exercise our right to purchase your entire Bar-B-Clean Business;

(i) notify all telephone companies, listing agencies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Bar-B-Clean Business; and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so); and

(j) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Franchise Agreement.

## **22.2. Right to Purchase Assets.**

Within 60 days after the termination or expiration of this Franchise Agreement, we shall have the right, but not the obligation, to notify you of our intent to purchase your Bar-B-Clean Business and/or its assets at fair market value as determined by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the day immediately after the effective date of the termination or expiration. We will notify you of the specific items that we wish to purchase.

## **22.3. Liquidated Damages.**

Upon termination of this Franchise Agreement for any reason other than expiration of the contract term, you agree to pay us on demand, in addition to the amounts owed hereunder, liquidated damages. Liquidated damages are determined by multiplying the combined monthly average of Royalties and Brand Fund Contributions (without regard to any fee waivers or other reductions) that are owed by you to us, beginning with date you open the Bar-B-Clean Business through the date of early termination, multiplied by the lesser of: (i) 36, or (ii) the number of full months remaining in the term of this Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$20,000.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Franchise Agreement’s termination and the loss of cash flow from Royalties and Brand Fund Contributions due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalties and Brand Fund Contributions would have grown over what would have been this Franchise Agreement’s remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalties and the Brand Fund Contributions. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Franchise Agreement other than the Royalties and Brand Fund Contribution sections. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Franchise Agreement other than the Royalties and Brand Fund Contribution sections.



## 22.4. Dispute resolution.

(a) Mediation. All claims or disputes between you and us or our affiliates arising out of, or in any way relating to, this Franchise Agreement, or any of the parties' respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to mediation prior to a filing a legal action. Such mediation shall take place in Yorba Linda, California (or our then-current headquarters) under the auspices of the Judicial Arbitration and Mediation Service ("JAMS"), in accordance with JAMS' Commercial Mediation Rules then in effect. You may not commence any action against us or our affiliates with respect to any such claim or dispute in any court unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. The parties shall each bear their own costs of mediation and share equally the filing fee imposed by JAMS and the mediator's fees. We reserve the right to specifically enforce our right to mediation. Prior to mediation, and before commencing any legal action against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us, which specifies in detail, the precise nature and grounds of such claim or dispute. All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever.

(b) Arbitration. Except for controversies or claims subject to Section 22.4(c) or as otherwise precluded by applicable law, if the parties are unable to resolve the dispute through mediation (as outlined in Section 22.4(a) above), the parties will be subject to arbitration. The controversy or claim shall be submitted to binding arbitration conducted before and in accordance with JAMS' Commercial Arbitration Rules, by one neutral arbitrator selected by the parties who is familiar with legal disputes of the type at issue and who has franchise business or contract experience. Judgment upon any award rendered may be entered in any court having jurisdiction thereof, and except to the extent prohibited by applicable law, (a) the arbitration proceedings shall be held in the principal city closest to our principal place of business (currently Yorba Linda, California); (b) all arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of you and us, and not in any representative capacity, and shall not be consolidated with claims asserted by or against any other franchisee; (c) the parties waive to the fullest extent permitted by law, and the arbitrator shall have no power or authority to grant punitive, exemplary, treble or other forms of multiple or consequential damages as part of its award; and (d) in any arbitration proceeding hereunder, each party shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Notwithstanding anything to the contrary herein, if any court or arbitrator determines that all or any part of this Section 22.4(b) is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this section, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial or arbitration proceeding in accordance with this Franchise Agreement (excluding this Section 22.4(b)). In no event may the material provisions of this Franchise Agreement including, but not limited to the method of operation, authorized product or service sold or monetary obligations specified in this Franchise Agreement, amendments to this Franchise Agreement or in the Brand Standards Manual be modified or changed by the arbitrator at any arbitration hearing. The arbitrator may not consider any settlement discussions or offers that may have been made by the parties. The substantive law applied in such arbitration shall be as provided in Section 24.1 below. The arbitration and the parties' agreement therefore shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. The parties shall initially share equally the arbitrator's fees and costs. If either party fails to timely pay its share of the fees and costs, the arbitrator shall enter a default against the non-paying party on the claims and defenses in the matter, provided, that we reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished our right to



seek the recovery of those costs in accordance with this Section 22.4(b). The arbitral decision, whether by default or after hearing, shall be binding and conclusive on the parties. The prevailing party shall be entitled to an award against the non-prevailing party reimbursing the arbitrator's fees and costs it advanced and for payment of attorneys' fees and costs. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § *et seq.*), notwithstanding any provision of this Franchise Agreement specifying the state law under which this Franchise Agreement shall be governed and construed. The parties acknowledge that nothing herein shall delay or otherwise limit our rights and remedies under Section 21 of this Franchise Agreement. A notice or request for arbitration or mediation will not operate to stay, postpone, or rescind the effectiveness of any demand for performance or notice of termination under this Franchise Agreement. Except as required by applicable law, including the required disclosure in our franchise disclosure document, the entire arbitration proceedings and related documents are confidential.

(c) Injunctive Relief. Notwithstanding the foregoing, we shall not be required to first attempt to mediate or arbitrate a controversy, dispute or claim against you as set forth in this Section 22.4, if such controversy, dispute or claim concerns an allegation by us that you have violated (or threaten to violate, or pose an imminent risk of violating): (a) any of our federally protected intellectual property rights in the Marks, the System, or in any of our Intellectual Property; (b) any claims pertaining to the use or protection of our Confidential Information (c) any claims pertaining to or arising out of any warranty issued; (d) any of the restrictive covenants contained in this Franchise Agreement; (e) our right to indemnification; or (f) any of the post-termination obligations under this Franchise Agreement; and you acknowledge that breach of any of these restrictions and obligations would result in irreparable injury to us, and as the damages arising out of any such breach would be difficult to ascertain in addition to all other remedies provided by law or in equity, we shall be entitled to seek injunctive relief without the posting of bond (whether a restraining order, a preliminary injunction, or a permanent injunction) against any such breach, whether actual or contemplated. Our right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23. Our rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

(d) Consent to Jurisdiction. Any action brought by either party, except those claims required to be submitted to mediation and arbitration, shall be brought in the appropriate state or federal court situated where our principal place of business is located (currently Yorba Linda, California); provided that, for claims of injunctive relief subject to Section 22.4(c), we have the option to bring suit against you in any other state or federal court within the jurisdiction where your Bar-B-Clean Business is or was located or where any of your owners lives. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

(e) Fees and Costs. If the parties are required to enforce this Franchise Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs including reasonable accounting and attorneys' fees, in connection with such proceeding. The parties each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees. You waive and disclaim any right to consequential damages in any action or claim against us concerning this Franchise Agreement or any related agreement. In any claim or action brought by you against us concerning this Franchise Agreement, your contract damages shall not exceed and shall be limited to refund of your Initial Franchise Fee and Royalties.



(f) **LIMITATION OF CLAIMS.** UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 15 OR SECTION 18) MUST BE BROUGHT BY FILING A WRITTEN NOTICE FOR MEDIATION (OR IF PERMITTED, ARBITRATION OR LITIGATION) WITHIN ONE YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; ~~AND~~ (ii) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES, AND (iii) ANY RIGHT TO, OR CLAIM FOR, PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT EXCEPT TO THE EXTENT PROVIDED TO THE CONTRARY IN THIS FRANCHISE AGREEMENT. IN THE EVENT OF A DISPUTE, YOU AND WE SHALL EACH BE LIMITED TO RECOVERING ONLY THE ACTUAL DAMAGES PROVEN TO BE SUSTAINED.

(g) **Survival.** The parties agree that the provisions of this Section 22 shall apply during the term of this Franchise Agreement and following the termination, expiration, or non-renewal of this Franchise Agreement.

**23. YOUR REPRESENTATIONS.** YOU HEREBY REPRESENT THAT: (i) YOU RECEIVED OUR FRANCHISE DISCLOSURE DOCUMENT; AND (ii) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

**24. GENERAL PROVISIONS.**

**24.1. Governing Law.** Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Franchise Agreement and the franchise relationship shall be governed by the laws of the state in which your Bar-B-Clean Business is located (without reference to its principles of conflicts of law). The Federal Arbitration Act will govern all matters subject to arbitration.

**24.2. Relationship of the Parties.** You understand and agree that nothing in this Franchise Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Bar-B-Clean Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Franchise Agreement. You further agree that fulfillment of any and all of our obligations written in the Franchise Agreement, or based on any oral communications which may be ruled to be binding in a court of law,



shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

**24.3. Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross revenue, income property, or other taxes, whether levied upon you or the Franchise, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

**24.4. Severability and Substitution.** Each section, subsection, term and provision of this Franchise Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Franchise Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Franchise Agreement. If a court concludes that any promise or covenant in this Franchise Agreement is unreasonable and unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable and consistent with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate your obligations under the Franchise Agreement to the fullest extent permitted by law), and you agree to be bound by the modified provisions.

**24.5. Waivers.** We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Franchise Agreement (including the right to demand exact compliance with every term, condition and covenant in this Franchise Agreement or to declare any breach of this Franchise Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Franchise Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Franchise Agreement or to insist upon exact compliance by the other with its obligations under this Franchise Agreement, including any mandatory specification, standard, or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Bar-B-Clean franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Franchise Agreement.

**24.6. Approvals.** Whenever this Franchise Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Franchise Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

**24.7. Force Majeure.** No party shall be liable for any delay in the fulfilment of or failure to fulfil its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Franchise Agreement where the delay or failure is solely due to Force Majeure, as described below. In the event of Force Majeure, the parties' obligations shall be extended or relieved only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure. As used in this Franchise Agreement, the term "Force Majeure" shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), terrorist event, riot, epidemic, fire or other catastrophe, act of any government and any other similar cause which is beyond the party's control and cannot be overcome by use of normal commercial measures. Force



Majeure should be construed narrowly and does not include general economic, market or societal conditions, or any changes thereto, even those that are the direct or indirect result of the Force Majeure event. So, for example, in the event of a temporary government-imposed closure of your Bar-B-Clean Business due to a Force Majeure event, you may only be relieved of your obligations as necessary to comply with the government mandate or order, but not due to the economic or market conditions that result from that action. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party, which in no case shall be more than 48 hours after the event, setting forth the nature thereof and an estimate as to its duration, and the affected party shall furnish the other party with periodic reports regarding the progress of the Force Majeure event. Each party must use its best efforts to mitigate the effect of the event of Force Majeure upon its performance of the Agreement and to fulfill its obligations under the Franchise Agreement. Upon completion of the event of Force Majeure, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Franchise Agreement. However, in the event the Force Majeure continues for a period of six months or more, then the unaffected party may, at its option, terminate this Franchise Agreement by 30 days' written notice to the party asserting such Force Majeure. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the Force Majeure event, nor does that event affect any obligation to pay money owed under the Franchise Agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect Franchisee's obligations to comply with any restrictive covenants in this Franchise Agreement during or after the Force Majeure event.

**24.8. Binding Effect.** This Franchise Agreement is binding upon the parties to this Franchise Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Franchise Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Franchise Agreement; provided, however, that the additional insureds listed in Section 16 and the Indemnified Parties are intended third-party beneficiaries under this Franchise Agreement with respect to Section 19. This Franchise Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original.

**24.9. Integration.** THIS FRANCHISE AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 12, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Franchise Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Franchise Agreement. The attachment(s) are part of this Franchise Agreement, which, together with any amendments or addenda to this Franchise Agreement executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Franchise Agreement. As referenced above, all mandatory provisions of the Brand Standards Manual are part of this Franchise Agreement. Any representations not specifically contained in this Franchise Agreement made before entering into this Franchise Agreement do not survive after the signing of this Franchise Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Franchise Agreement, would affect the economic terms of this bargain. Nothing in this Franchise Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.



**24.10. Covenant of Good Faith.** If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Franchise Agreement (and the relationship of the parties that is inherent in this Franchise Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Franchise Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

**24.11. Rights of Parties are Cumulative.** The rights of the parties under this Franchise Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Franchise Agreement will preclude any other right or remedy available under this Franchise Agreement or by law.

**24.12. Survival.** All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Franchise Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, Section 14, Section 15, Section 19 and Section 22.

**24.13. Construction.** The headings in this Franchise Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Franchise Agreement unless otherwise specified. All references to days in this Franchise Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Franchise Agreement is applicable to one or more persons or entities, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

**24.14. Time of Essence.** Time is of the essence in this Franchise Agreement and every term thereof.

**24.15. Counterparts.** This Franchise Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

**24.16. Notice.** All notices given under this Franchise Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or ~~first-class~~priority mail, to the following addresses (which may be changed upon 10 business days’ prior written notice):

YOU: As set forth in Attachment A

US: Bar-B-Clean Franchising, Inc.  
5390 Los Monteros  
Yorba Linda, California 92887



Notice shall be considered given at the time delivered by hand, or one business day after sending by ~~fax~~, email or comparable electronic system, or three business days after placed in the mail, ~~postage prepaid~~, by certified by priority mail with a return receipt requested delivery confirmation.

*(Signature page follows)*





**ATTACHMENT A TO FRANCHISE AGREEMENT**

**FRANCHISE DATA SHEET**

1. **Effective Date.** The Effective Date set forth in the introductory paragraph of the Franchise Agreement is: \_\_\_\_\_, 20\_\_.

2. **Franchisee.** The Franchisee set forth in the introductory Paragraph of the Franchise Agreement is: \_\_\_\_\_.

3. **Initial Franchise Fee.** The Initial Franchise Fee set forth in Section 14.1 is:

(a) \_\_\_ \$49,500\* for Single Franchise\*\*

(b) \_\_\_ The Initial Franchise Fee set forth in the Multi-Franchise Addendum as this is the first Business developed under a Multi-Franchise.

(c) \_\_\_ No initial franchise fee due for this Franchise Agreement.\*\*\*

\* Subject to Veteran Discount of 10% off (if applicable check box) \_\_\_.

\*\* If additional Territory is granted, add \$1.50 per Qualified Household in additional Territory to Initial Franchise Fee. The parties agree that there are \_\_\_\_\_ additional Qualified Households beyond 75,000 which when multiplied by \$1.50 equals an additional Initial Franchise fee of \$ \_\_\_\_\_ and a total Initial Franchise Fee due of \$ \_\_\_\_\_.

\*\*\* The Franchise is a Successor Agreement, the result of a Transfer, or an additional Franchise under a Multi-Franchise where Franchisee previously paid the applicable initial franchise fee under the initial franchise agreement.

4. **Address for Notices.** Your address for all notices under Section 24.15 of the Franchise Agreement is:

Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. **Territory.** The Territory set forth in Section 3 of the Franchise Agreement will be the area as shown on the map or described below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*(Signature page follows)*



**FRANCHISOR:**

**Bar-B-Clean Franchising, Inc.,**  
a California corporation

Dated: \_\_\_\_\_

By:(sign): \_\_\_\_\_  
\_\_\_\_\_

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

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

**FRANCHISEE:**

(If you are taking the Franchise as a corporation,  
or partnership):

\_\_\_\_\_  
(Entity Name)

Dated: \_\_\_\_\_

By:(sign): \_\_\_\_\_  
\_\_\_\_\_

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

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

(If you are taking the Franchise individually and  
not as a legal entity):

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_



(Print Name)



**ATTACHMENT B TO THE FRANCHISE AGREEMENT**

**OWNERSHIP INTERESTS IN FRANCHISEE**

Franchisee: [Franchisee or Franchisee Entity]

**Form of Ownership  
(Check One)**

Individual    Partnership    Corporation    Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: \_\_\_\_\_

**Management (managers, officers, board of directors, etc.):**

Name	Title

**Members, Stockholders, Partners\*:**

Name	Address	Percentage Owned

**\*If any members, stockholders, or partners are entities, please list the entities and owners of such entities up through the individuals.**

**Identification of Designated Owner.** Your Designated Owner as of the Effective Date is \_\_\_\_\_  
\_\_\_\_\_. You may not change the Designated Owner without prior written approval.



**Identification of Designated Manager.** Your Designated Manager, if applicable, ~~as of the Effective~~  
~~Date is~~ \_\_\_\_\_. You may not change the Designated  
Manager without prior written approval.

*(Signature page follows)*



**FRANCHISOR:**

**Bar-B-Clean Franchising, Inc.,**  
a California corporation

Dated: \_\_\_\_\_

By: (sign) \_\_\_\_\_

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

**FRANCHISEE:**

(If you are taking the Franchise as a corporation, limited liability company, or partnership):

\_\_\_\_\_  
(Entity Name)

Dated: \_\_\_\_\_

By: (sign) \_\_\_\_\_

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

(If you are taking the Franchise individually and not as a legal entity):

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)



## ATTACHMENT C TO FRANCHISE AGREEMENT

### OWNERS AGREEMENT

As a condition to the execution by Bar-B-Clean Franchising, Inc. (“we” or “us”), of a Franchise Agreement with \_\_\_\_\_ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

#### **1. Acknowledgments.**

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of \_\_\_\_\_, 20\_\_ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Role of Owners. Owners are the beneficial owners or spouses of the beneficial owners of all of the direct and indirect equity interest, membership interest, or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s direct and indirect owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

#### **2. Non-Disclosure and Protection of Confidential Information.**

2.1 Confidentiality. Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

2.2 Immediate Family Members. Owners acknowledge that they could circumvent the purpose of Section 2.1 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). Owners also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 2.1 if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section 3, below, if performed by Owners. However, Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.



### **3. Covenant Not To Compete and To Not Solicit.**

3.1 Non-Competition and Non-Solicitation During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition and solicitation both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition and non-solicitation will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

### **4. Continuing Guarantee.**

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement whether now or in the future on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement whether now or in the future on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for, whether now or in the future, by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.



4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

4.7 Waiver of Acceptance, Default and Defenses. Owners waive: (i) acceptance and notice of acceptance by us of the forgoing undertakings; (b) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; and (c) any and all other notices and legal or equitable defenses, right of setoff, claim or counterclaim whatsoever to which they may be entitled at any time hereunder.

4.8 Continuing Nature. Owners agree that each of the obligations in this Section 4 shall be continuing and shall not be discharged by: (i) the insolvency of Franchisee or the payment in full of all of the obligations at any time; (ii) the power or authority or lack thereof of Franchisee to incur the obligations; (iii) the validity or invalidity of any of the obligations; (iv) the existence or non-existence of Franchisee as a legal entity; (v) any statute of limitations affecting the liability of Owners or the ability of us to enforce this Franchise Owner Agreement or the obligations; or (vi) any right of offset, counterclaim or defense of any Owner, including, without limitation, those which have been waived by Owners pursuant to this Franchise Owners Agreement.

## 5. Transfers.

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree: (a) not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding transfers and assignment, and (b) that any attempt to do so will be a ~~material~~ breach of this Owners Agreement and the Franchise Agreement. We may, from time to time, without notice to Owners, assign or transfer any or all of Owners' rights, duties and obligations or any interest therein in this Owners Agreement and, notwithstanding any assignment(s) or transfer(s), the rights, duties and obligations shall be and remain for the purpose of this Owners Agreement. Each and every immediate and successive assignee or transferee of any of the rights, duties or obligations of any interest therein shall, to the extent of such party's interest in the rights duties and/or obligations, be entitled to the benefits of this Owners Agreement to the same extent as if such assignee or transferee were us.

## 6. Notices.

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

Bar-B-Clean Franchising, Inc.  
5390 Los Monteros  
Yorba Linda, California 92887



The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

## **7. Enforcement of This Owners Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any non-compliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

## **8. Miscellaneous.**

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.



8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

8.6 Continuing Nature of this Owners Agreement. This Owners Agreement shall be continuing and shall not be discharged, impaired or affected by: (1) the insolvency of Franchisee or the payment in full of all of the obligations under the Franchise Agreement at any time; (2) the validity or invalidity of any of the terms of the Owners Agreement; (3) the existence or non-existence of Franchisee as a legal entity; (4) any statute of limitations affecting the liability of Owners or the ability of us or our successors or assigns to enforce this Owners Agreement; (5) the transfer or assignment of all or a portion of the ownership in Franchisee and/or the assets of Franchisee; (6) the execution of an owners agreement or any other form of guaranty by any additional direct, indirect or beneficial owner of Franchisee in favor of us or our successors or assigns; (7) any right of offset, counterclaim or defense of any Owner; or (8) the expiration, termination or assignment of the Franchise Agreement or any other agreement between you and us.

8.7 Successors. References to “Franchisor” or “the undersigned,” or “you” include the respective parties' heirs, successors, assigns or transferees.

8.8 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.9 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.10 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

*(Signatures on following page)*



IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNER(S):**

Sign: \_\_\_\_\_

Printed Name: [Insert Name of Owner]

Address:

Sign: \_\_\_\_\_

Printed Name: [Insert Name of Spouse]

Address:

Sign: \_\_\_\_\_

Printed Name: [Insert Name of Owner]

Address:

Sign: \_\_\_\_\_

Printed Name: [Insert Name of Spouse]

Address:

Sign: \_\_\_\_\_

Printed Name: [Insert Name of Owner]

Address:

Sign: \_\_\_\_\_

Printed Name: [Insert Name of Spouse]

Address:

Sign: \_\_\_\_\_

Printed Name: [Insert Name of Owner]

Address:

Sign: \_\_\_\_\_

Printed Name: [Insert Name of Spouse]

Address:

Rev.030824



Bar-B-Clean Franchising, Inc. hereby accepts the agreements of the Owner(s) hereunder.

**BAR-B-CLEAN FRANCHISING, INC.**

By:(sign): \_\_\_\_\_  
\_\_\_\_\_

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



**EXHIBIT B**

**FINANCIAL STATEMENTS**



~~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.~~



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08/07/23  
Accrual Basis

**BAR-B-CLEAN FRANCHISING INC.**  
**Balance Sheet**  
As of May 31, 2023

	<u>May 31, 23</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
USC Federal Credit Union	48,785.76
Total Checking/Savings	48,785.76
Accounts Receivable	
Accounts receivable	7,250.00
Total Accounts Receivable	7,250.00
Total Current Assets	56,035.76
Fixed Assets	
Vehicle Purchase	8,950.00
Total Fixed Assets	8,950.00
Other Assets	
Website costs	1,575.00
Total Other Assets	1,575.00
<b>TOTAL ASSETS</b>	<b><u>66,560.76</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts payable	6,866.78
Total Accounts Payable	6,866.78
Other Current Liabilities	
Franchise tax payable	800.00
SBA Loan	70,900.00
Total Other Current Liabilities	71,700.00
Total Current Liabilities	78,566.78
Total Liabilities	78,566.78
Equity	
Additional paid-in capital	10,000.00
Capital Stock	25,000.00
Retained Earnings	-4,631.02
Net Income	-42,375.00
Total Equity	-12,006.02
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>66,560.76</u></b>



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Accrual Basis

**BAR-B-CLEAN FRANCHISING INC.**

**Profit & Loss**

January through May 2023

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	<u>Jan - May 23</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Franchise fee income	70,000.00
Royalty Income	20,395.30
	<hr/>
<b>Total Income</b>	90,395.30
<b>Expense</b>	
Accounting Fees	2,300.00
Advertising and Promotion	1,226.88
Attorney Fees	12,937.00
Bank Fee	60.00
Computer and Internet Expenses	559.00
Distribution??????	20,000.00
Franchise Broker	36,596.00
Franchise Development	17,290.00
Franchise Mapping	11,725.00
Franchise recruitment	8,250.00
Marketing	743.48
Membership	857.83
Milestone Incentive	3,000.00
Payroll Expenses	10,000.00
Shipping	373.91
State filing fee	5,750.00
Travel Expense	1,101.20
	<hr/>
<b>Total Expense</b>	132,770.30
<b>Net Ordinary Income</b>	-42,375.00
	<hr/>
<b>Net Income</b>	<b>-42,375.00</b>

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**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**



**Bar-B-Clean Franchising, Inc.**

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Statement of Stockholder's Equity	5
Statement of Cash Flows	6
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**INDEPENDENT AUDITOR'S REPORT**

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**To Management**

**Bar-B-Clean Franchising, Inc.**

**Opinion**

We have audited the accompanying financial statements of **Bar-B-Clean Franchising, Inc.** (a California corporation), which comprise the balance sheets as of **December 31, 2023 and 2022**, and the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bar-B-Clean Franchising, Inc., as of December 31, 2023 and 2022, and the results of its operations and its 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. 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 Bar-B-Clean Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bar-B-Clean Franchising, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Bar-B-Clean Franchising, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bar-B-Clean Franchising, Inc.'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.

### Emphasis of Matter

As noted in Note 9 to the financial statements, the Company has suffered losses from operations and has a net capital deficiency. Management's evaluation of the events and conditions and management's plans to mitigate those matters are also described in Note 9. Our opinion is not modified with respect to that matter.

*Suchan & Associates*  
**Suchan & Associates**

**Rancho Cucamonga, CA**  
**April 7, 2024**



**BAR-B-CLEAN FRANCHISING, INC.**

**BALANCE SHEET**

December 31, 2023 and 2022

**ASSETS**

	2023	2022
<b>CURRENT ASSETS</b>		
Cash	\$ 196,959	\$ 92,660
Accounts receivable (Note 2)	21,097	5,565
<b>TOTAL CURRENT ASSETS</b>	<b>218,056</b>	<b>98,225</b>
<b>FIXED ASSETS, net (Notes 2 and 4)</b>	4,326	6,116
<b>OTHER ASSETS</b>		
Intangible assets, net of accumulated amortization of \$1,575 (Note 5)	-	-
<b>TOTAL ASSETS</b>	<b>\$ 222,382</b>	<b>\$ 104,341</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 124,554	\$ 4,767
Franchise tax payable	1,625	800
Deferred revenue, current portion (Note 2)	618,002	6,038
Current portion of long term debt (Note 6)	1,516	1,460
<b>TOTAL CURRENT LIABILITIES</b>	<b>745,697</b>	<b>13,065</b>
<b>LONG TERM LIABILITIES</b>		
Deferred revenue, net of current (Note 2)	36,825	9,018
Long term debt, net of current (Note 6)	69,384	69,440
<b>TOTAL LONG TERM LIABILITIES</b>	<b>106,209</b>	<b>78,458</b>
<b>TOTAL LIABILITIES</b>	<b>851,906</b>	<b>91,523</b>
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, \$10 par value, authorized 100,000 shares, issued and outstanding 2,500	25,000	25,000
Additional paid in capital	10,000	10,000
Retained earnings	(664,524)	(22,182)
<b>TOTAL EQUITY</b>	<b>(629,524)</b>	<b>12,818</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 222,382</b>	<b>\$ 104,341</b>

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



**BAR-B-CLEAN FRANCHISING, INC.**

**STATEMENT OF INCOME**

**Years ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>INCOME</b>		
Initial franchise fees	\$ 220,150	\$ -
License fees	7,619	6,394
Technology fees	3,505	4,269
Royalties	94,715	108,352
Miscellaneous income	10,000	-
	<b>335,989</b>	<b>119,015</b>
<b>OPERATING EXPENSES</b>		
Advertising	5,732	21,325
Bank fees	715	25
Incentives	3,300	5,500
Computer and internet	14,589	6,112
Depreciation	1,790	1,790
Dues and subscriptions	1,900	-
Franchise leads & recruitment	8,250	17,100
Franchise broker	362,284	-
Franchise development	417,696	-
Legal and professional	45,950	11,392
Licenses and permits	6,103	450
Office supplies	13,136	-
Outside services	34,900	24,250
Miscellaneous	255	-
State taxes	800	800
Travel and entertainment	10,906	-
	<b>928,306</b>	<b>88,744</b>
<b>OPERATING INCOME</b>	<b>(592,317)</b>	<b>30,271</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest expense	(25)	(96)
	<b>\$ (592,342)</b>	<b>\$ 30,175</b>

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

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BAR-B-CLEAN FRANCHISING, INC.

STATEMENT OF STOCKHOLDER'S EQUITY

Years ended December 31, 2023 and 2022

	Common Stock		Additional Paid In Capital	Retained Earnings	Total
	Shares	Amount			
<b>Beginning Balance, January 1, 2022</b>	2,500	\$ 25,000	\$ 10,000	\$ (7,357)	\$ 27,643
Contributions	-	-	-	-	-
Distributions	-	-	-	(45,000)	(45,000)
Net income (loss)	-	-	-	30,175	30,175
<b>Ending Balance, December 31, 2022</b>	<b>2,500</b>	<b>\$ 25,000</b>	<b>10,000</b>	<b>(22,182)</b>	<b>\$ 12,818</b>
Contributions	-	-	-	-	-
Distributions	-	-	-	(50,000)	(50,000)
Net income (loss)	-	-	-	(592,342)	(592,342)
<b>Ending Balance, December 31, 2023</b>	<b>2,500</b>	<b>\$ 25,000</b>	<b>10,000</b>	<b>(664,524)</b>	<b>\$ (629,524)</b>

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



**BAR-B-CLEAN FRANCHISING, INC.**

**STATEMENT OF CASH FLOWS**

**Years ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (loss)	\$ (592,342)	\$ 30,175
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>		
Depreciation and amortization expense	1,790	1,790
(Increase) decrease in assets:		
Accounts receivable	(15,532)	2,026
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	119,787	468
Deferred revenue	639,771	(6,394)
Taxes payable	825	-
	<u>154,299</u>	<u>28,065</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Stockholder distributions	<u>(50,000)</u>	<u>(45,000)</u>
	<u>104,299</u>	<u>(16,935)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>		
CASH AT BEGINNING OF YEAR	<u>92,660</u>	<u>109,595</u>
	<u>\$ 196,959</u>	<u>\$ 92,660</u>
<b>CASH AT END OF YEAR</b>		
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<i>Cash paid during the years for:</i>		
Interest	\$ 25	\$ 96
Income tax	\$ -	\$ 800

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



**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2023 and 2022**

**1. ORGANIZATION**

**Bar-B-Clean Franchising, Inc.** (the "Company"), a California Corporation, was formed on December 17, 2012, for the purpose of selling franchises of the Barbeque cleaning products and servicing franchises. The Company first offered franchises for sale in July 2013. As a franchisor the Company will enter into the agreements with franchises in various states. Currently franchises have been sold in ten different states throughout the United States. Under the terms of the franchise agreements, franchisees will establish and operate Barbecue cleaning products and services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were utilized in preparing the financial statements.

**Cash and Cash Equivalent**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalent.

**Accounts Receivable and Bad Debts**

The Company's accounts receivable represents franchise fees and royalties due from franchisees. Management expects that all accounts receivable will be collected within one year. Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Fixed Assets and Depreciation**

Fixed assets are recorded at cost. Depreciation is calculated on a straight-line basis in amounts sufficient to depreciate the cost of the assets over their useful lives of five years for vehicles.

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**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2023 and 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue Recognition / Deferred Revenue**

The Company receives initial franchise fees that are generally \$30,000, when entering into new franchise agreements. In 2023, the initial franchise fee was increased to \$49,500. Initial franchise fees are recognized when performance obligations are completed. Performance obligations consist of pre-opening services, franchise license fee, and sales based monthly royalty fees.

Deferred revenue consists of unearned pre-opening services totaling, \$608,540 and \$0, and franchise license fees totaling \$46,287 and \$15,056, at December 31, 2023 and 2022, respectively.

Pre-opening services consist of site selection, contract review, onboarding and training and are recognized upon duties being completed by franchisor.

Franchise license fees are calculated based on 15% of the franchise agreement. This fee is amortized over the life of the contract, which is generally seven years.

Royalty fees are recognized when earned in accordance with the franchise agreement. Royalty fees are charged as either a monthly flat fee (generally \$240) or as a percentage of monthly gross sales (generally 8%).

The franchisor charges a technology fee to each franchise at a rate of \$350 - \$400 per year. The total income earned in 2023 and 2022 was \$3,505 and \$4,269, respectively.

**Income Taxes**

The Company has elected under the Internal Revenue Code to be taxed as an S Corporation. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholder is liable for individual federal and state taxes on their proportionate share of the Company's taxable income. The Company is liable for California corporate income taxes on its taxable income.

**Advertising**

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$5,732 and \$21,325, for the years ended December 31, 2023 and 2022, respectively.



**BAR-B-CLEAN FRANCHISING, INC**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2023 and 2022**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases**

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of the identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. The Company has elected to apply the short-term lease exception to all leases with a term of one year or less.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in the balance sheets. Currently the Company does not have any operating or finance leases.

**Change in Accounting Principle - Leases**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842), which supersedes guidance for accounting for leases under Topic 840, Leases.

The Company adopted Topic 842 on January 1, 2022. The Company also adopted certain accounting policies to not recognize right-of-use (ROU) assets and lease liabilities for leasing arrangements with terms of less than one year and to not separate lease and non-lease components for all classes of underlying assets. The adoption of the new standard had no effect on the financial statements since the Company currently does not have leases in excess of one year.

**Adoption of New Accounting Standard - Credit Losses**

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk, and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were trade receivables. We adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures only.

**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2023 and 2022**

**3. FRANCHISE AGREEMENTS**

Franchisees pay initial franchise fees to the Company for the right to own and operate a Bar-B-Clean store. The Company is obliged to provide training, an operations manual, designate a territory for purchase, provide consultation for grand opening marketing, and other initial and continuing services. Franchisees pay a continuing royalty fee based on gross sales.

The franchise agreements provide for, among other items, required duties of the franchisor and franchisee and also provide noncompliance remedies for both.

As of December 31, 2023, the Company has 28 opened franchise outlets, 1 company owned outlet, and an additional 23 signed franchise agreements for outlets expected to open within the next fiscal year.

	<u>2023</u>	<u>2022</u>
<b>Total Locations</b>		
<b>Franchised Outlets</b>		
Open January 1	23	23
New outlets opened	9	-
Closed/terminated	<u>(4)</u>	<u>-</u>
<b>Total Franchised Outlets, December 31</b>	<b>28</b>	<b>23</b>
<b>Company Owned Outlets</b>	<u>1</u>	<u>1</u>
<b>Total Outlets</b>	<b><u>29</u></b>	<b><u>24</u></b>

**4. FIXED ASSETS**

	<u>2023</u>	<u>2022</u>
Property and equipment consist of the following:		
<b>Cost</b>		
Vehicles	<u>\$ 8,950</u>	<u>\$ 8,950</u>
Less: accumulated depreciation	<u>4,624</u>	<u>2,834</u>
<b>Net Fixed Assets</b>	<b><u>\$ 4,326</u></b>	<b><u>\$ 6,116</u></b>



**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2023 and 2022**

**4. FIXED ASSETS (continued)**

Depreciation expense for the years ended December 31, 2023 and 2022 was \$1,790 and \$1,790, respectively.

The depreciation policies followed by the Company are described in Note (2).

**5. INTANGIBLES**

Website costs are amortized using the straight-line method over three years. There is no amortization expense for the years ended December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Intangibles consist of the following:		
<b>Cost</b>		
Website costs	\$ 1,575	\$ 1,575
Less: accumulated amortization	<u>1,575</u>	<u>1,575</u>
<b>Net Intangible Costs</b>	<u>\$ -</u>	<u>\$ -</u>

**6. LONG-TERM DEBT**

	<u>2023</u>	<u>2022</u>
Long-term debt consists of the following:		
<b>Note Payable</b>		
In response to COVID-19, the government issued the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Economic Injury Disaster Loan is a part of the CARES Act. In June 2020, the Company received a loan from the Economic Injury Disaster Loan program. Note payable due in monthly installments of \$342, including interest at 3.75% per annum. Payments begin 18 months after the initial draw. This note matures in May 2051. This loan is secured by all corporate assets.	\$ 70,900	\$ 70,900
<b>TOTAL</b>	<u>70,900</u>	<u>70,900</u>
Less: current portion	<u>1,516</u>	<u>1,460</u>
<b>TOTAL LONG TERM</b>	<u>\$ 69,384</u>	<u>\$ 69,440</u>



**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2023 and 2022**

**6. LONG-TERM DEBT (continued)**

Scheduled repayments of notes payable, assuming no changes in their terms for the next five years, are as follows:

Years Ending December 31,	
2024	\$ 1,516
2025	1,573
2026	1,633
2027	1,696
2028	1,760
Thereafter	<u>62,722</u>
<b>TOTAL</b>	<b><u>\$ 70,900</u></b>

**7. RELATED PARTY TRANSACTIONS**

The shareholder of the Company is also the owner of CNC Financial, Inc. Existence of this common control could result in operating results or a financial position that is significantly different than if the entities were autonomous. There were no transactions between the entities for the year's ended December 31, 2023 and 2022.

**8. REFERRAL FEE/DEVELOPMENT AGREEMENT**

The Company has a referral fee/business development agreement with third parties. The agreement requires a payment of \$4,500 for each referral accepted and awarded an initial franchise by the Company. The agreement also requires a current month-to-month payment of \$1,000. There were no referral fees owed or paid in 2023 or 2022.

The Company has entered into franchise sales representative agreement for the purposes of selling franchises domestically and internationally. The agreement requires a commission payment of 80% of the purchase price or \$15,000, whichever is greater and a monthly service fee of \$3,200. The agreement also requires the Company to pay for broker fees associated with the sale of a franchise. Franchise development fees paid during the year ended December 31, 2023 and 2022 totaled \$417,696 and \$0, respectively. Franchise broker fees paid during the year ended December 31, 2023 and 2022 totaled \$362,284 and \$0, respectively.



**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2023 and 2022**

**9. GOING CONCERN**

The Company has substantial operating losses. As of December 31, 2023, the accumulated deficient is 664,524.

Management believes the Company's present cash flows will not enable it to meet its obligations for the twelve months from the date these financial statements are available to be issued. However, the Company has entered into a franchise sales representative agreement for the purpose of selling franchises, and has 23 signed franchise agreements for stores to open in the next year. It is probable that management will obtain new sources of revenue that will enable the Company to meet its obligations.

**10. SUBSEQUENT EVENTS**

Bar-B-Clean Franchising, Inc. has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2023, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 7, 2024, the date these financial statements were available to be issued. No subsequent events were noted for disclosure.



**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**



**Bar-B-Clean Franchising, Inc.**

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## INDEPENDENT AUDITOR'S REPORT

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### To Management

#### Bar-B-Clean Franchising, Inc.

#### Opinion

We have audited the accompanying financial statements of **Bar-B-Clean Franchising, Inc.** (a California corporation), which comprise the balance sheet as of **December 31, 2022**, and the related statements of income, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Bar-B-Clean Franchising, Inc.**, as of **December 31, 2022**, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Bar-B-Clean Franchising, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Prior Period Financial Statements

The financial statements of Bar-B-Clean Franchising, Inc. as of December 31, 2021, were audited by other auditors whose report dated June 8, 2022, expressed an unmodified opinion on those statements.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bar-B-Clean Franchising, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Bar-B-Clean Franchising, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bar-B-Clean Franchising, Inc.'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.

*Suchan & Associates*  
**Suchan & Associates**

**Rancho Cucamonga, CA  
April 16, 2023**



**BAR-B-CLEAN FRANCHISING, INC.**

**BALANCE SHEET**

**December 31, 2022 and 2021**

**ASSETS**

	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 92,660	\$ 109,595
Accounts receivable (Note 2)	5,565	7,591
<b>TOTAL CURRENT ASSETS</b>	<b>98,225</b>	<b>117,186</b>
<b>FIXED ASSETS, net (Notes 2 and 4)</b>	6,116	7,906
<b>OTHER ASSETS</b>		
Intangible assets, net of accumulated amortization of \$1,575 (Note 5)	-	-
<b>TOTAL ASSETS</b>	<b>\$ 104,341</b>	<b>\$ 125,092</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 4,767	\$ 4,299
Franchise tax payable	800	800
Deferred revenue, current portion (Note 2)	6,038	6,038
Current portion of long term debt (Note 6)	1,460	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>13,065</b>	<b>11,137</b>
<b>LONG TERM LIABILITIES</b>		
Deferred revenue, net of current (Note 2)	9,018	15,412
Long term debt, net of current (Note 6)	69,440	70,900
<b>TOTAL LONG TERM LIABILITIES</b>	<b>78,458</b>	<b>86,312</b>
<b>TOTAL LIABILITIES</b>	<b>91,523</b>	<b>97,449</b>
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, \$10 par value, authorized 100,000 shares, issued and outstanding 2,500	25,000	25,000
Additional paid in capital	10,000	10,000
Retained earnings	(22,182)	(7,357)
<b>TOTAL EQUITY</b>	<b>12,818</b>	<b>27,643</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 104,341</b>	<b>\$ 125,092</b>

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



**BAR-B-CLEAN FRANCHISING, INC.**

**STATEMENT OF INCOME**

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>INCOME</b>		
Initial franchise fees	\$ -	\$ 32,300
License fees	6,394	9,524
Techonology fees	4,269	3,493
Royalties	<u>108,352</u>	<u>108,077</u>
<b>TOTAL INCOME</b>	<b><u>119,015</u></b>	<b><u>153,394</u></b>
<b>OPERATING EXPENSES</b>		
Advertising	21,325	27,158
Auto	-	743
Bad debt	-	4,514
Bank fees	25	-
Incentives	5,500	13,900
Computer and internet	6,112	7,747
Depreciation	1,790	1,044
Franchise leads & recruitment	17,100	26,679
Legal and professional	11,392	12,909
Licenses and permits	450	250
Office supplies	-	1,248
Outside services	24,250	59,000
State taxes	800	800
Travel and entertainment	<u>-</u>	<u>697</u>
<b>TOTAL OPERATING EXPENSE</b>	<b><u>88,744</u></b>	<b><u>156,689</u></b>
<b>OPERATING INCOME</b>	<b>30,271</b>	<b>(3,295)</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest expense	<u>(96)</u>	<u>(63)</u>
<b>NET INCOME (LOSS)</b>	<b><u>\$ 30,175</u></b>	<b><u>\$ (3,358)</u></b>

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



BAR-B-CLEAN FRANCHISING, INC.

STATEMENT OF STOCKHOLDER'S EQUITY

Years ended December 31, 2022 and 2021

	Common Stock		Additional Paid In Capital	Retained Earnings	Total
	Shares	Amount			
Beginning Balance, January 1, 2021	2,500	\$ 25,000	\$ 10,000	\$ (3,797)	\$ 31,203
Contributions	-	-	-	-	-
Distributions	-	-	-	(202)	(202)
Net income (loss)	-	-	-	(3,358)	(3,358)
<b>Ending Balance, December 31, 2021</b>	<b>2,500</b>	<b>\$ 25,000</b>	<b>10,000</b>	<b>(7,357)</b>	<b>\$ 27,643</b>
Contributions	-	-	-	-	-
Distributions	-	-	-	(45,000)	(45,000)
Net income (loss)	-	-	-	30,175	30,175
<b>Ending Balance, December 31, 2022</b>	<b>2,500</b>	<b>\$ 25,000</b>	<b>10,000</b>	<b>(22,182)</b>	<b>\$ 12,818</b>

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



**BAR-B-CLEAN FRANCHISING, INC.**

**STATEMENT OF CASH FLOWS**

**Years ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 30,175	\$ (3,358)
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>		
Depreciation and amortization expense	1,790	1,044
(Increase) decrease in assets:		
Accounts receivable	2,026	(1,258)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	468	4,299
Deferred revenue	(6,394)	2,214
Taxes payable	-	800
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>28,065</u></b>	<b><u>(2,297)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for fixed assets	-	<b><u>(8,950)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Stockholder distributions	<b><u>(45,000)</u></b>	<b><u>(202)</u></b>
<b>NET DECREASE IN CASH</b>	<b>(16,935)</b>	<b>(11,449)</b>
CASH AT BEGINNING OF YEAR	<u>109,595</u>	<u>121,044</u>
<b>CASH AT END OF YEAR</b>	<b><u>\$ 92,660</u></b>	<b><u>\$ 109,595</u></b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

***Cash paid during the years for:***

Interest	\$ 96	\$ 63
Income tax	\$ 800	\$ -

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



**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

**1. ORGANIZATION**

**Bar-B-Clean Franchising, Inc.** (the "Company"), a California Corporation, was formed on December 17, 2012, for the purpose of selling franchises of the Barbeque cleaning products and servicing franchises. The Company first offered franchises for sale in July 2013. As a franchisor the Company will enter into the agreements with franchises in various states. Currently franchises have been sold in seven different states throughout the United States. Under the terms of the franchise agreements, franchisees will establish and operate Barbecue cleaning products and services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

**Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were utilized in preparing the financial statements.

**Cash and Cash Equivalent**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalent.

**Accounts Receivable and Bad Debts**

The Company's accounts receivable represents franchise fees and royalties due from franchisees. Management expects that all accounts receivable will be collected within one year. Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

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**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fixed Assets and Depreciation**

Fixed assets are recorded at cost. Depreciation is calculated on a straight-line basis in amounts sufficient to depreciate the cost of the assets over their useful lives of five years for vehicles.

**Revenue Recognition / Deferred Revenue**

The Company receives initial franchise fees that are generally \$30,000, when entering into new franchise agreements. Initial franchise fees are recognized when performance obligations are completed. Performance obligations consist of pre-opening services, franchise license fee, and sales based monthly royalty fees.

Deferred revenue consists of unearned franchise license fees totaling \$15,056 and \$21,450, at December 31, 2022 and 2021, respectively.

Pre-opening services consist of site selection, contract review, onboarding and training and are recognized upon duties being completed by franchisor.

Franchise license fees are calculated based on 15% of the franchise agreement. This fee is amortized over the life of the contract, which is generally seven years.

Royalty fees are recognized when earned in accordance with the franchise agreement. Royalty fees are charged as either a monthly flat fee (generally \$240) or as a percentage of monthly gross sales (generally 8%).

The franchisor charges a technology fee to each franchise at a rate of \$350 - \$400 per year. The total income earned in 2022 and 2021 was \$4,269 and \$3,493, respectively.

**Income Taxes**

The Company has elected under the Internal Revenue Code to be taxed as an S Corporation. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholder is liable for individual federal and state taxes on their proportionate share of the Company's taxable income. The Company is liable for California corporate income taxes on its taxable income.

**Advertising**

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$21,325 and \$27,158, for the years ended December 31, 2022 and 2021, respectively.



**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Change in Accounting Principle - Leases**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*, which supersedes guidance for accounting for leases under Topic 840, Leases.

The Company adopted Topic 842 on January 1, 2022. The Company also adopted ongoing accounting policies to not recognize right-of-use (ROU) assets and lease liabilities for leasing arrangements with terms of less than one year and to no separate lease and non-lease components for all classes of underlying assets. The adoption of the new standard had no effect on the financial statements since the Company currently does not have leases in excess of one year.

**3. FRANCHISE AGREEMENTS**

Franchisees pay initial franchise fees to the Company for the right to own and operate a Bar-B-Clean store. The Company is obliged to provide training, an operations manual, designate a territory for purchase, provide consultation for grand opening marketing, and other initial and continuing services. Franchisees pay a continuing royalty fee based on gross sales.

The franchise agreements provide for, among other items, required duties of the franchisor and franchisee and also provide noncompliance remedies for both.

As of December 31, 2022, the Company has 23 opened franchise outlets, 1 company owned outlets, and an additional 1 signed franchise agreement for an outlet expected to open within the next fiscal year.

	<u>2022</u>	<u>2021</u>
<b>Total Locations</b>		
<b>Franchised Outlets</b>		
Open January 1	23	24
New outlets opened	-	2
Closed/terminated	-	(3)
<b>Total Franchised Outlets, December 31</b>	<b>23</b>	<b>23</b>
<b>Company Owned Outlets</b>	<b>1</b>	<b>1</b>
<b>Total Outlets</b>	<b>24</b>	<b>24</b>

BAR-B-CLEAN FRANCHISING, INC.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021

4. FIXED ASSETS

	<u>2022</u>	<u>2021</u>
Property and equipment consist of the following:		
<b>Cost</b>		
Vehicles	\$ 8,950	\$ 8,950
Less: accumulated depreciation	<u>2,834</u>	<u>1,044</u>
<b>Net Fixed Assets</b>	<b><u>\$ 6,116</u></b>	<b><u>\$ 7,906</u></b>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$1,790 and \$1,044, respectively.

The depreciation policies followed by the Company are described in Note (2).

5. INTANGIBLES

Website costs are amortized using the straight-line method over three years. There is no amortization expense for the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Intangibles consist of the following:		
<b>Cost</b>		
Website costs	\$ 1,575	\$ 1,575
Less: accumulated amortization	<u>1,575</u>	<u>1,575</u>
<b>Net Intangible Costs</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

**6. LONG-TERM DEBT**

	<u>2022</u>	<u>2021</u>
Long-term debt consists of the following:		
<b>Note Payable</b>		
In response to COVID-19, the government issued the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Economic Injury Disaster Loan is a part of the CARES Act. In June 2020, the Company received a loan from the Economic Injury Disaster Loan program. Note payable due in monthly installments of \$342, including interest at 3.75% per annum. Payments begin 18 months after the initial draw. This note matures in May 2051. This loan is secured by all corporate assets.	\$ 70,900	\$ 70,900
<b>TOTAL</b>	<b>70,900</b>	<b>70,900</b>
Less: current portion	1,460	-
<b>TOTAL LONG TERM</b>	<b>\$ 69,440</b>	<b>\$ 70,900</b>

Scheduled repayments of notes payable, assuming no changes in their terms for the next five years, are as follows:

Years Ending December 31,	
2023	\$ 1,460
2024	1,516
2025	1,573
2026	1,633
2027	1,696
Thereafter	63,022
<b>TOTAL</b>	<b>\$ 70,900</b>

**7. RELATED PARTY TRANSACTIONS**

The shareholder of the Company is also the owner of CNC Financial, Inc. Existence of this common control could result in operating results or a financial position that is significantly different than if the entities were autonomous. There were no transactions between the entities for the year's ended December 31, 2022 and 2021.



**BAR-B-CLEAN FRANCHISING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Years ended December 31, 2022 and 2021**

**8. REFERRAL FEE/DEVELOPMENT AGREEMENT**

The Company has a referral fee/business development agreement with third parties. The agreement requires a payment of \$4,500 for each referral accepted and awarded an initial franchise by the Company. The agreement also requires a current month-to-month payment of \$1,000. There were no referral fees owed or paid in 2022 or 2021.

**9. SUBSEQUENT EVENTS**

Bar-B-Clean Franchising, Inc. has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2022, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 16, 2023, the date these financial statements were available to be issued. No subsequent events were noted for disclosure.



**BAR-B-CLEAN FRANCHISING, INC.**  
\*\*\*\*\*  
**INDEPENDENT AUDITOR'S REPORT**  
\*\*\*\*\*  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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# HOFFSKI PISANO & CO.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
A Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

Shareholder  
**Bar-B-Clean Franchising, Inc.**  
Newport Beach, CA 92663

We have audited the accompanying financial statements of Bar-B-Clean Franchising, Inc. which comprise the balance sheets as of December 31, 2020 and December 31, 2021, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

4 Hutton Centre Drive, Suite 750 • Santa Ana, CA 92707  
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www.hp-cpas.com



**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bar-B-Clean Franchising, Inc. as of December 31, 2020 and December 31, 2021, and the results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Hoffski Pisano & Co.*

Hoffski Pisano & Co., CPAs  
Santa Ana, CA  
June 8, 2022

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**Bar-B-Clean Franchising, Inc.**  
**Balance Sheet**  
As of December 31, 2020 and December 31, 2021

<b>ASSETS</b>		
	<u>2020</u>	<u>2021</u>
<b>Current Assets</b>		
Cash	\$ 121,044.	\$ 109,595.
Accounts Receivable	<u>6,333.</u>	<u>7,591.</u>
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 127,377.</b>	<b>\$ 117,186.</b>
<b>Fixed Assets</b>		
Property, Plant & Equipment net of accumulated depreciation	\$ -	\$ 7,906.
<b>TOTAL FIXED ASSETS</b>	<b>\$ -</b>	<b>\$ 7,906.</b>
<b>Other Assets</b>		
Website Costs, net of accumulated amortization	\$ -	\$ -
<b>TOTAL OTHER ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL ASSETS</b>	<b>\$ 127,377.</b>	<b>\$ 125,092.</b>

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**LIABILITIES & SHAREHOLDER'S EQUITY**

<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Credit Card Payable	\$ -	\$ 4,299.
State Taxes Payable	-	800.
Deferred License Fee Income	25,274.	21,450.
Loan Payable - SBA	<u>70,900.</u>	<u>70,900.</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 96,174.</b>	<b>\$ 97,449.</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 96,174.</b>	<b>\$ 97,449.</b>
<b>SHAREHOLDER'S EQUITY</b>		
Common Stock	\$ 25,000.	\$ 25,000.
Additional Paid-In-Capital	10,000.	10,000.
Retained Earnings	<u>(3,797.)</u>	<u>(7,357.)</u>
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>\$ 31,203.</b>	<b>\$ 27,643.</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDER'S EQUITY</b>	<b>\$ 127,377.</b>	<b>\$ 125,092.</b>

The accompanying notes are an integral part of the financial statements



**Bar-B-Clean Franchising, Inc.**  
**Statement of Income**  
**For the Fiscal Years Ended December 31, 2020 and December 31, 2021**

<b>Income</b>	<u><b>2020</b></u>	<u><b>2021</b></u>
Franchise Fee Income	\$ -	\$ 32,300.
License Fee Income	9,004.	9,524.
Technology Fee Income	4,075.	3,493.
Royalty Income	<u>103,985.</u>	<u>108,077.</u>
<b>TOTAL INCOME</b>	<b>\$ 117,064.</b>	<b>\$ 153,394.</b>
<b>Operating Expenses</b>		
Auto Expenses	\$ -	\$ 743.
Bad Debt Expense	-	4,514.
Consulting/Contractor	50,793.	59,000.
Computer/Internet/Website	6,345.	7,747.
Depreciation Expense	-	1,044.
Franchise Leads & Recruitment	-	26,679.
Incentives	3,200.	13,900.
Interest Expense	96.	63.
Legal & Professional	18,268.	12,909.
Marketing/Promotional Expenses	5,150.	27,158.
Office Supplies & Expenses	-	1,248.
Tax & License	<u>350.</u>	<u>250.</u>
Travel & Convention	<u>668.</u>	<u>697.</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 84,870.</b>	<b>\$ 155,952.</b>
<b>INCOME BEFORE TAXES</b>	<b>\$ 32,194.</b>	<b>\$ (2,558.)</b>
State Franchise Tax	<u>892.</u>	<u>800.</u>
<b>NET INCOME</b>	<b>\$ 31,302.</b>	<b>\$ (3,358.)</b>



The accompanying notes are an integral part of the financial statements  
**Bar-B-Clean Franchising, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**For the Fiscal Years Ended December 31, 2020 and December 31, 2021**

	<u>Common Stock</u>				
	<u>Shares</u>	<u>Par Value</u>	<u>Paid-In-Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance January 1, 2020	2,500	\$ 25,000	\$ 10,000	\$ 20,218	\$ 55,218
Shareholder Distributions				(21,039)	(21,039)
Prior Period Adjustment				(34,278)	(34,278)
Net Income				31,302	31,302
Balance December 31, 2020	2,500	\$ 25,000	\$ 10,000	\$ (3,797)	\$ 31,203
Shareholder Distributions				(202)	(202)
Net Income				(3,358)	(3,358)
Balance December 31, 2021	2,500	\$ 25,000	\$ 10,000	\$ (7,357)	\$ 27,643

The accompanying notes are an integral part of the financial statements  
**Bar-B-Clean Franchising, Inc.**



**Statement of Cash Flows**  
**For the Fiscal Years Ended December 31, 2020 and December 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2020</u>	<u>2021</u>
Net Income	\$ 31,302.	\$ (3,358.)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation/Amortization	-	1,044.
(Increase)/Decrease in Accounts Receivable	(337.)	(1,258.)
Increase/(Decrease) in Deferred License Fee Income	(9,004.)	(3,824.)
Increase/(Decrease) in Taxes Payable	<u>-</u>	<u>800.</u>
<b>Net Cash Provided by/(Used for) Operating Activities</b>	<b>\$ 21,961.</b>	<b>\$ (6,596.)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property, Plant & Equipment	\$ -	\$ (8,950.)
<b>Net Cash Used for Investing Activities</b>	<b>\$ -</b>	<b>\$ (8,950.)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Financing Acquired	\$ 70,900.	\$ 4,299.
Shareholder Distributions	<u>(21,039.)</u>	<u>(202.)</u>
<b>Net Cash Provided by Financing Activities</b>	<b>\$ 49,861.</b>	<b>\$ 4,097.</b>
<b>Net (Decrease)/Increase in Cash</b>	<b>\$ 71,822.</b>	<b>\$ (11,449.)</b>
<b>CASH AT JANUARY 1</b>	<b>49,222.</b>	<b>121,044.</b>
<b>CASH AT DECEMBER 31</b>	<b>\$ 121,044.</b>	<b>\$ 109,595.</b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Income Taxes Paid	\$ 892.	\$ -
Interest Paid	96.	63.

The accompanying notes are an integral part of the financial statements

**Bar-B-Clean Franchising, Inc.**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended December 31, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Bar-B-Clean Franchising, Inc., (the Company) was incorporated in the State of California on December 17, 2012. The Company sells Barbeque cleaning and servicing franchises in various states. The Company was approved to sell franchises by the State of California on July 30, 2013. The Company is authorized to issue 100,000 common shares of stock with a \$10 par value. As of December 31, 2020 and December 31, 2021, there were 2,500 shares of stock issued and outstanding.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and in banks in addition to debt securities with original maturities of three months or less.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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**Revenue Recognition/Deferred Revenue**

The Company receives initial franchise fees generally \$25,500, when entering into new franchise agreements. Initial franchise fees are recognized when performance obligations are completed. Performance obligations consist of pre-opening services, franchise license fee and sales based on monthly royalty fees. Deferred revenue consists of unearned franchise license fees totaling \$25,274 and \$21,450 at December 31, 2020 and December 31, 2021 respectively. Pre-opening services consist of site selection, contract review, onboarding and training and are recognized upon duties being completed by franchisor. Franchise license fees are calculated based on 15% of the franchise agreement. This fee is amortized over the life of the contract, which is generally seven years. Royalty fees are recognized as earned, with an appropriate provision for estimate uncollectible amounts charged to operating expenses.

Beginning in 2018 the franchisor charges \$350 per year technology fee to each franchise. This is documented and allowed based on the contracts signed by each franchisee. The total technology income earned in 2020 and 2021 was \$4,075 and \$3,493 respectively.

See accompanying independent auditor's report



**Bar-B-Clean Franchising, Inc.**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended December 31, 2021**

**Revenue Recognition/Deferred Revenue (continued)**

All revenue earned at December 31, 2020 and December 31, 2021 and not collected as of those dates were recorded as accounts receivable. Accounts Receivable as of December 31, 2020 was \$6,333 and as of December 31, 2021 was \$7,591. As of December 31, 2021 the franchisor had performed all services per contracts and there was no deferred revenue.

**Intangibles**

Website cost is amortized using the straight-line method over three years. There is no amortization expense for the years ended December 31, 2020 and December 31, 2021.

**Income Taxes**

The Company reports its income for financial reporting purposes and tax returns on an accrual basis.

The Company, with the consent of its shareholder, has elected to be an "S" corporation under the Internal Revenue Code. In lieu of paying corporate income taxes, the shareholders of an "S" corporation are taxed individually on their proportionate share of the Company's taxable income. Therefore, no provision for the liability of federal income taxes has been included in these financial statements.

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Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2020 and December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company's income tax period since its formation is open for examination by taxing jurisdictions.

**Date of Management's Review**

Management has evaluated subsequent events through June 8, 2022, the date on which the financial statements were available to be issued.

See accompanying independent auditor's report



**Bar-B-Clean Franchising, Inc.**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended December 31, 2021**

**Trade Accounts Receivable**

Trade accounts receivable are recorded at the contract amount and do not bear interest. The Company analyzes individual past due balances greater than 90 days for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. No allowance was considered necessary as of December 31, 2020 and December 31, 2021. However, a direct write-off of bad debt in the amount of \$0 and \$4,514 respectively, was made due to an old outstanding balance that was deemed uncollectable by the Shareholder. In most cases Accounts Receivable are always collectable.

**NOTE 2 – REFERRAL FEE/DEVELOPMENT AGREEMENT**

The Company has a referral fee/business development agreement with third parties. The agreement requires a payment of \$4,500 fee for each referral accepted and awarded an initial franchise by the Company. The agreement also requires a current month-to-month payment of \$1,000. There were no referral fees owed or paid in 2020 or 2021.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

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The 100% shareholder of the Company is a 100% shareholder of CNC Financial, Inc. Existence of this common control could result in operating results or a financial position that is significantly different than if the entities were autonomous. There were no transactions between the entities for the years ended December 31, 2020 and December 31, 2021.

There were shareholder distributions to the sole shareholder in the amount of \$21,039 and \$202 for the years ended December 31, 2020 and December 31, 2021 respectively.

**NOTE 4 – SUBSEQUENT EVENTS**

The Company has evaluated events and transactions subsequent to the balance sheet date of December 31, 2021 for items that should potentially be recognized or disclosed in these financials. The evaluation was conducted through June 8, 2022, the date these financial statements were available to be issued. Furthermore, legal disclosure was obtained from the attorneys engaged by the Company during the year ended December 31, 2021 regarding any significant representations made between the Company and the Company's attorneys to the date of the completion of fieldwork.

There have not been any new territories/franchise's sold since year-end and prior to the date of this report.

See accompanying independent auditor's report



**Bar-B-Clean Franchising, Inc.**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended December 31, 2021**

**NOTE 5 – FRANCHISOR**

Obligations of the franchisor, based on the initial franchise fee, are initial training, provide a copy of the Franchise Operations Manual, identify equipment and supplies needed, designate a territory for purchase, provide consultation for grand opening marketing, provide use of confidential materials and processes, additional training to franchisee or employee, advice and guidance on advertising and marketing and inform franchisee of mandatory specifications, standards, and procedures for the operation of the franchise.

Franchise fees are due at signing. The initial franchise fee covers all of the franchisors' responsibilities and obligations during the duration of the agreement. Franchise fee revenue and royalty revenue are properly segregated in the financial statements.

**NOTE 6 – LOAN PAYABLE**

The Company applied for and received a loan from the Small Business Administration under the Paycheck Protection Program. The loan amount is \$70,900 and will accrue interest at 1% per annum and is payable over 5 years beginning on the date June 18, 2022. The Company has yet to determine, estimate or apply for forgiveness that is allowable for this type of loan.

**NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLE**

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Previously, the Company recognized initial franchise fee revenue when the Company substantially completed its services, generally upon business opening. In accordance with Topic 606 revenue recognition has been changed. The Company has elected to use the practical expedient in paragraph 952-606-25-2 of Topic 606 for revenue recognition. The Company has elected to account for the pre-opening services of site selection, contract review, onboarding and training as a single performance obligation and the franchise license as the second performance obligation. The revenue for pre-opening services is recognized upon the business opening. The franchise license is amortized and recognized over the life of the contract, which is generally seven years. This change in accounting principal has been applied retrospectively and was adopted in the year 2020.

See accompanying independent auditor's report



**EXHIBIT C**  
**LIST OF CURRENT AND FORMER FRANCHISEES**



## LIST OF FRANCHISEES

### Current Franchisees as of December 31, 2022/2023:

Last Name	First Name	Address	City	State	Zip Code	Phone	Email
Chapa (operates two outlets)	Luke	2966 Gardner St.	Simi Valley	CA	93065	805-558-0876	luke@bar-b-clean.com
Holloway (operates two outlets)	Keith	8600 Apperson St.	Sunland	CA	91040	818-987-4950	keith@bar-b-clean.com
McGrane Slawsby (operates two outlets)	Matt Danielle	27432 Swallow Court	Temecula	CA	92591	858-253-3611	matt@bar-b-clean.com danielle@bar-b-clean.com
<del>Ross</del>	<del>Tony</del>	<del>1826 Mint Terrace #6</del>	<del>Chula Vista</del>	<del>CA</del>	<del>91915</del>	<del>619-870-7498</del>	<del>tony@bar-b-clean.com</del>
Barkey McKennon (operates three outlets in California and three in Florida)	Joben Seth	1172 S. Dixie Hwy., Suite 525	Coral Gables	FL	33146	949-338-2681 305-338-6300	seth@bar-b-clean.com
McMillin	Chris	21317 Estero Preserve Run	Estero	FL	33928	813-433-0927	chris@bar-b-clean.com
<del>Blackadar</del>	<del>Ryan</del>	<del>8107 Sand Crane Lane</del>	<del>Tampa</del>	<del>FL</del>	<del>33567</del>	<del>813-445-7334</del>	<del>ryan@bar-b-clean.com</del>
Franklin	Roderick	5218 Timber Crest Drive	New Orleans	LA	70131	504-908-3183	Roderick@bar-b-clean.com
Deskin	Jason	13978 Cotton Gin Ave.	Wayne	OK	73095	405-623-5585	jason@bar-b-clean.com
Anderson-Holliday	Aiysha	426 Old Course Loop	Blythewood	SC	29016	803-361-9394	centralsc@bar-b-clean.com
<del>Tepner Seebomh</del> (operates two outlets)	<del>Mare Brent</del>	<del>316 Braveheart Dr. #2713</del>	<del>Franklin Nashville</del>	TN	<del>3706437203</del>	<del>615-594-9052520-307-4678</del>	<del>marebrents@bar-b-clean.com</del>
<del>Marnon Japp</del>	<del>Jen JR</del>	<del>6713 Biscayne Harbor 1708 Thorntree Ln</del>	<del>San Antonio Justin</del>	TX	<del>7824976247</del>	<del>210-651-2099817-471-5770</del>	<del>jenjr@bar-b-clean.com</del>
McLean (operates three outlets)	Kurt	111E Center St.	Lorena	TX	76655	254-709-0937	kurtm@bar-b-clean.com
Arizor Pariseau (operates four outlets)	Helen Jim	2942 Wild Oak Ln 1259 Deerbrook Dr	Roekwall ugarland	TX	7503277479	214-773-2217 832-362-9919	<a href="mailto:jimp@bar-b-clean.com">jimp@bar-b-clean.com</a> <del>helen@bar-b-clean.com</del>
Castleberry Fre ntheway (operates two outlets)	King Matt	8027 Eagle Peak P.O. Box 680293	Helotes Par k City	TX U T	7802384068	210-410-2002801-471-6068	kingmattf@bar-b-clean.com



**List of Franchisees with Unopened Outlets as of December 31, 20222023:**

None

Last Name	First Name	Address	City	State	Zip Code	Phone	Email
Lorenz (2 territories)	Frank	3539 E. Sports Drive	Gilbert	AZ	85298	317-496-6091	frankl@bar-b-clean.com
Oliver (5 territories)	Nathan	5985 Cirrus Street	San Diego	CA	92110	310-279-6401	nathano@bar-b-clean.com
Petrausch (1 territory)	Rob	57 S. Park Ave	Old Greenwich	CT	06870	917-886-1923	robp@bar-b-clean.com
Thomas (3 territories)	Trevor	10530 Down Lakeview Cir.	Windermere	FL	34786	407-337-8738	trevort@bar-b-clean.com
Bain (3 territories)	Ron	3935 River Club Drive	Cumming	GA	30041	770-905-6723	ronb@bar-b-clean.com
Daniel (1 territory)	Sellars	1326 White Water Ln	Rockwall	TX	75087	541-390-3946	daniels@bar-b-clean.com
Redlund (1 territory)	Chris	2465 Covent Garden Rd	Virginia Beach	VA	23456	804-933-9709	tidewater@bar-b-clean.com

**List of Former Franchisees as of December 31, 20222023:**

The name and last known address of every franchisee who had a Franchise transferred, terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, 20222023 to December 31, 20222023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None

Last Name	First Name	Address	City	State	Zip Code	Phone	Email
Ross	Tony	1826 Mint Terrace #6	Chula Vista	CA	91915	619-870-7498	tony@bar-b-clean.com
Blackadar	Ryan	5705 Mariposa Dr	Holiday	FL	34690	813-495-0733	ryan@bar-b-clean.com
Tepner (Transferred two outlets)	Marc	316 Braveheart Dr	Franklin	TN	37064	615-594-9052	marc@bar-b-clean.cpo
Castleberry	King	8027 Eagle Peak	Helotes	TX	78023	210-410-2002	king@bar-b-clean.com
Arizor	Helen	2942 Wild Oak Ln	Rockwall	TX	75032	214-773-2217	helen@bar-b-clean.com
Marnon	Jon	6713 Biscay Harbor	San Antonio	TX	78249	210-651-2099	jon@bar-b-clean.com



**EXHIBIT D**

**LIST OF STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**



**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

**CALIFORNIA**

State Administrator and Agent for  
Service of Process:

Commissioner  
Department of Financial  
Protection and Innovation  
320 W. 4<sup>th</sup> Street, #750  
Los Angeles, CA 90013  
(213) 576-7500  
(866) 275-2677

**HAWAII**

Commissioner of Securities of  
the State of Hawaii  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

Agent for Service of Process:

Commissioner of Securities of the  
State of Hawaii  
Department of Commerce and  
Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

**ILLINOIS**

Illinois Attorney General  
Chief, Franchise Division  
500 S. Second Street  
Springfield, IL 62706  
(217) 782-4465

**INDIANA**

Secretary of State  
Securities Division  
Room E-018  
302 W. Washington Street  
Indianapolis, IN 46204  
(317) 232-6681

**MARYLAND**

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202  
(410) 576-6360

**MARYLAND CONTINUED**

Agent for Service of Process:

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202-2020

**MICHIGAN**

Michigan Department of Attorney General  
Consumer Protection Division  
525 W. Ottawa Street  
Lansing, MI 48913  
(517) 373-7117

**MINNESOTA**

Department of Commerce  
Commissioner of Commerce  
85 Seventh Place East, Suite 280  
St. Paul, MN 55101-3165  
(651) 539-1600

**NEW YORK**

Administrator:

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8222

Agent for Service of Process:

Secretary of State  
99 Washington Avenue  
Albany, NY 12231

**NORTH DAKOTA**

Administrator:

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, Fourteenth Floor, Dept. 414  
Bismarck, ND 58505-0510  
(701) 328-4712

Agent for Service of Process:

Securities Commissioner  
600 East Boulevard Avenue  
State Capitol, Fourteenth Floor, Dept. 414  
Bismarck, ND 58505-0510

**RHODE ISLAND**

Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, RI 02920  
(401) 462-9527

**SOUTH DAKOTA**

Division of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-3563

**VIRGINIA**

State Corporation Commission  
Division of Securities and  
Retail Franchising  
1300 E. Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219

Agent for Service of Process:

Clerk of the State Corporation Commission  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

**WASHINGTON**

State Administrator:

Washington Department of Financial  
Institutions  
Securities Division  
P.O. Box 903341200  
Olympia, WA 9850798504-1200  
(360) 902-8760

Agent for Service for Process:

Director of Department of Financial  
Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, WA 98501  
(360) 902-0524

**WISCONSIN**

Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue  
Madison, WI 53703  
(608) 266-3364

Rev. 012723090723



**EXHIBIT E**  
**FRANCHISE DISCLOSURE QUESTIONNAIRE**



## FRANCHISEE DISCLOSURE QUESTIONNAIRE

**(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)**

As you know, Bar-B-Clean Franchising Inc. (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Bar-B-Clean franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

**Maryland franchisees are not to sign the Questionnaire if they are a resident of Maryland or the business is to be operated in Maryland.**

1. Yes\_\_ No\_\_ Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided?
2. Yes\_\_ No\_\_ Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?
3. Yes\_\_ No\_\_ Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
4. Yes\_\_ No\_\_ Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
5. Yes\_\_ No\_\_ Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?
6. Yes\_\_ No\_\_ Have you had the opportunity to discuss the benefits and risks of developing and operating a Bar-B-Clean Franchise with an existing Bar-B-Clean franchisee?
7. Yes\_\_ No\_\_ Do you understand the risks of developing and operating a Bar-B-Clean Franchise?
8. Yes\_\_ No\_\_ Do you understand the success or failure of your Bar-B-Clean Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?
9. Yes\_\_ No\_\_ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be litigated in California, if not resolved informally or by mediation (subject to state law)?



10. Yes\_\_ No\_\_ Do you understand that you must satisfactorily complete the initial training program before we will allow your Bar-B-Clean Franchise to open or consent to a transfer of the Bar-B-Clean Franchise to you?
11. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Bar-B-Clean Franchise, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn or the total amount of revenue a Bar-B-Clean Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes\_\_ No\_\_ Do you understand that the Franchise Agreement, including each attachment or exhibit to the Franchise Agreement, contains the entire agreement between us and you concerning the Bar-B-Clean Franchise?
15. Yes\_\_ No\_\_ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date



EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

Rev. 030423071823



**EXHIBIT F**

**BRAND STANDARDS MANUAL  
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5	Management Responsibilities	10
6	Managing a Profitable Business	11
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**EXHIBIT G**

**STATE ADDENDA AND AGREEMENT RIDERS**



## STATE ADDENDA AND AGREEMENT RIDERS

### ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR BAR-B-CLEAN FRANCHISING INC.

The following modifications are made to the Bar-B-Clean Franchising Inc. (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 20\_\_ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means the state where the Franchisee’s Bar-B-Clean business is located. When the term “**Supplemental Agreements**” is used, it means “none.”

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

#### CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

\_\_\_\_\_ The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD: 14 days prior to execution of agreement.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains, ~~and if applicable, the Supplemental Agreements may contain,~~ provisions a provision requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in California. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement ~~or Supplemental Agreements~~ restricting venue to a forum outside the State of California. The Franchise Agreement ~~may contain~~ contains a mediation provision. ~~If so,~~ The parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.



The Franchise Agreement ~~and Supplemental Agreements require~~requires the application of the law of the state where the Franchisee's Bar-B-Clean business is located. This provision may not be enforceable under California law.

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

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement ~~and Supplemental Agreements may provide~~provides for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains, ~~and if applicable, the Supplemental Agreements may contain,~~ a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

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.



## HAWAII

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

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

**THIS FRANCHISE 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 US AND YOU.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit I of the FDD on the page entitled, "State Effective Dates."
2. States which have refused, by order or otherwise, to register these Franchises are:  
None
3. States which have revoked or suspended the right to offer the Franchises are:  
None



4. States in which the proposed registration of these Franchises has been withdrawn are:

None

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.

## **ILLINOIS**

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is



inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

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.

Fee Deferral

Items 5 and 7 of the FDD and the Franchise Agreement are revised to state that payment of all initial fees, including the Initial Franchise Fee and Development Fee, shall be deferred until Franchisor has met its initial obligations to the franchisee and the franchisee has commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

**FRANCHISOR:**

**FRANCHISEE:**

**BAR-B-CLEAN FRANCHISING INC.**

\_\_\_\_\_

Entity name (if any)

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

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

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

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

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

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

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

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

**INDIANA**

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.



The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in California. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for



breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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

## **IOWA**

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

### **NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three (3) business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten (10) business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be cancelled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty (20) days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Bar-B-Clean Franchising Inc., 5390 Los Monteros, Yorba Linda, California 92887, or send a fax to Bar-B-Clean Franchising Inc. at 949-461-1290 not later than midnight of the third business day after the Effective Date.



I hereby cancel this transaction.

Franchisee: \_\_\_\_\_

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

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

Its: \_\_\_\_\_

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

## **MARYLAND**

### AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENTS

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Representations in the Franchise Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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.).

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.

### **Fee Deferral**

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.



## MICHIGAN

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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 five (5) years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us 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 our then-current reasonable qualifications or standards.
  - (ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.
  - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.



(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you 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:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

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

**MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota



Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. Item 6 of the FDD and Section 14.4 of the Franchise Agreement is hereby amended to limit the Insufficient Funds Charge to \$30 per occurrence and requires 30 days' notice and opportunity to cure prior to assessing interest and attorneys' fees pursuant to Minnesota Statute 604.113.
10. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.
11. Item 4 is amended to include the following: On March 13, 2012, Bryan Weinstein and Gina Weinstein filed a petition under Chapter 7 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Central District of California in Santa Ana, California (Case No. 8:12-bk-13225-ES). They received a discharge on June 28, 2012.



12. Minnesota Statute Section 80C.06, Subd. 5 requires that any person offering for sale or selling any franchise which is subject to the registration requirements imposed by section [80C.02](#) shall, at the person's own expense, present to the prospective franchisee, at least seven days prior to the execution by the prospective franchisee of any franchise or other agreement, or at least seven days prior to the payment of any consideration by the franchisee, whichever occurs first, a copy of the current public offering statement together with a copy of all proposed agreements relating to the sale of the franchise. This provision applies to the franchisor's Franchise Disclosure Document and related agreements.
13. 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.
14. Fee Deferral: Items 5 and 7 of the FDD and the Franchise Agreement are amended to state: Payment of the Initial Franchise Fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business.

## **NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN—~~THAT~~ ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR ~~CANNOT~~CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

~~— Except as provided~~ With the exception of what is stated above, with regard to the following applies to Franchisor or the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.



B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the ~~Franchise System~~ franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ~~ten~~10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

———However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

———You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum,**” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or ~~upon~~ the franchisee by Article 33 of the General Business Law of the State of New York.

———6. Franchise Questionnaires and Acknowledgements - 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.



7. Receipts - Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA**

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

The Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, provisions of the FDD (including Item 17(v)), and the Franchise Agreement (including Section 22.4), relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Section 22.4(f) of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is hereby amended to state the statute of limitations under North Dakota law will apply.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 15 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.



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

Franchise Fee Deferral:

Items 5 and 7 of the Franchise Disclosure Document and Section 14.1 of the Franchise Agreement regarding payment of the initial franchise fee are amended to state that the franchise fee will be deferred until all initial obligations owed to the Franchisee by the Franchisor have been fulfilled and the franchisee has commenced doing business pursuant to the Franchise Agreement.

**OHIO**

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials \_\_\_\_\_ Date \_\_\_\_\_

NOTICE OF CANCELLATION

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five (5) business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten (10) business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Bar-B-Clean Franchising Inc., 5390 Los Monteros, Yorba Linda, California 92887, or send a fax to Bar-B-Clean Franchising Inc. at 949-461-1290 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

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

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

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

Its: \_\_\_\_\_



## **RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

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.

## **SOUTH DAKOTA**

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.

### **Fee Deferral**

Item 5 and 7 of the Franchise Disclosure Document and the Franchise Agreement are hereby amended to state that the Initial Franchise Fee will be deferred until the Franchisor has completed all of its pre-opening obligations and the franchise is open for business. The following language will be added to the franchise agreement:

#### **BAR-B-CLEAN FRANCHISING INC. ACKNOWLEDGEMENT OF DEFERRAL OF INITIAL FRANCHISE FEE**

\_\_\_\_\_ (“Franchisee”) entered into a Franchise Agreement with Bar-B-Clean Franchising Inc. (“Franchisor”) on \_\_\_\_\_, 20\_\_ for the operation of a Bar-B-Clean franchise in South Dakota. As a condition for Franchisor’s registration to offer franchises for sale in South Dakota, the South Dakota Department of Labor and Regulation, based on Franchisor’s financial condition, required Franchisor to defer the initial franchise fee for the purchase of such franchise until Franchisor has fulfilled all of its initial obligations under the Franchise Agreement and Franchisee has commenced doing business. This is an acknowledgement that such initial franchise fee has been deferred by Franchisor until such time.



**FRANCHISOR:**

**BAR-B-CLEAN FRANCHISING INC.**  
a California Corporation

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

**VIRGINIA**

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Bar-B-Clean Franchising Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

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

The following risk factor is added to the “Special Risks to Consider About This Franchise” page:

**Estimated Initial Investment**. The franchisee will be required to make an estimated initial investment ranging from \$78,200 to \$833,700. This amount exceeds the franchisor’s stockholders’ equity as of December 31, ~~2022~~2023, which is ~~\$12,818~~\$(629,524).

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.



## WASHINGTON

### **ADDENDUM TO FRANCHISE AGREEMENT, ~~FRANCHISE DISCLOSURE QUESTIONNAIRE,~~ AND FRANCHISE DISCLOSURE DOCUMENT**

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

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

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

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

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

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

A liquidated damages provision in a Franchise Agreement may be construed as a penalty under Washington law if the amount is found to bear no reasonable relation to actual damages. As a result, including the brand fund contributions in the liquidated damages provision disclosed in Item 6 of the FDD and the Franchise Agreement may be unenforceable in Washington.

The following risk factor is added to the Special Risks About This Franchise Page:



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

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.

**Fee Deferral**

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the Franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Because we have material pre-opening obligations with respect to each franchise you open under a multi-franchise addendum, the State of Washington requires that the collection of the initial franchise fee be prorated and collected as each unit is opened.

The undersigned does hereby acknowledge receipt of this addendum.

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

\_\_\_\_\_  
FRANCHISOR

\_\_\_\_\_  
FRANCHISEE

**WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

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.

*(Signatures on following page)*



**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- |                          |            |                          |              |                          |              |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan     | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii     | <input type="checkbox"/> | Minnesota    | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois   | <input type="checkbox"/> | New York     | <input type="checkbox"/> | Virginia     |
| <input type="checkbox"/> | Iowa       | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington   |
| <input type="checkbox"/> | Indiana    | <input type="checkbox"/> | Ohio         | <input type="checkbox"/> | Wisconsin    |
| <input type="checkbox"/> | Maryland   |                          |              |                          |              |

Dated: \_\_\_\_\_, 20\_\_

**FRANCHISOR:**

BAR-B-CLEAN FRANCHISING INC.

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

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

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

Rev. 030123071823



## EXHIBIT H

### CONTRACTS FOR USE WITH THE BAR-B-CLEAN FRANCHISE

The following contracts contained in Exhibit H are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Bar-B-Clean Business. The following are the forms of contracts that Franchisor uses as of the Issuance Date of the Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.



EXHIBIT H-1

BAR-B-CLEAN FRANCHISE

SAMPLE GENERAL RELEASE AGREEMENT

**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims ("Release") is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Bar-B-Clean Franchising Inc., a California corporation ("Franchisor," and together with Releasor, the "Parties").

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement ("Agreement") pursuant to which Franchisee was granted the right to own and operate a Bar-B-Clean business;

**WHEREAS**, (Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release), and Franchisor has consented to such (transfer/successor franchise agreement/amendment/termination/other reason); and

**WHEREAS**, as a condition to Franchisor's consent to (transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason), Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor's consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties.** Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release.** Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the



offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third-party claim.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the where the Franchisee's Bar-B-Clean business is located.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

i. This Release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, and the rules adopted thereunder in accordance with RCW 19.100.220.



**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

\_\_\_\_\_, a  
\_\_\_\_\_

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

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

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

**FRANCHISEE'S OWNERS:**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 092122



## EXHIBIT H-2

### BAR-B-CLEAN FRANCHISE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Bar-B-Clean Franchising Inc., a California corporation, and its successors and assigns (“us,” “we” or “our”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Bar-B-Clean business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Bar-B-Clean business or the solicitation or offer of a Bar-B-Clean franchise, whether now in existence or created in the future.

“*Franchisee*” means the Bar-B-Clean franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Bar-B-Clean business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Bar-B-Clean business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Bar-B-Clean business, including “BAR-B-CLEAN,” and any other trademarks, service marks, or trade names that we designate for use by a Bar-B-Clean business. The term “Marks” also includes any distinctive trade dress used to identify a Bar-B-Clean business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing or attempting to induce any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.



“*Restricted Period*” means the one-year period after you cease to be a manager or officer of Franchisee’s Bar-B-Clean business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “*Restricted Period*” means the nine (9) month period after you cease to be a manager or officer of Franchisee’s Bar-B-Clean business.

“*Restricted Territory*” means the geographic area within: (i) a 50-mile radius from Franchisee’s Bar-B-Clean business (and including the premises of the approved location of Franchisee); and (ii) a one-mile radius from all other Bar-B-Clean businesses that are operating or under development as of the beginning of the *Restricted Period*; provided, however, that if a court of competent jurisdiction determines that the foregoing *Restricted Territory* is too broad to be enforceable, then the “*Restricted Territory*” means the geographic area within a 25-mile radius from Franchisee’s Bar-B-Clean business (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of a Bar-B-Clean business, including Know-how, proprietary programs and products, Manual, and operating system.

**2. Background.** You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the Bar-B-Clean business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s Bar-B-Clean business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Bar-B-Clean business by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship.** You agree not to unfairly compete with us during the *Restricted Period* by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the *Restricted Territory*. If you engage in any Prohibited Activities during the *Restricted Period*, then you agree that your *Restricted Period* will be extended by the period of time during which you were engaging in the Prohibited Activity.

**6. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether



you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**8. Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Bar-B-Clean franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of the state where your Bar-B-Clean business is located, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

*(Signature on following page)*



EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 120619



## EXHIBIT H-3

### BAR-B-CLEAN FRANCHISE

#### SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Bar-B-Clean Franchising Inc., a California corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Bar-B-Clean Business*” means a business that cleans and services barbecue grills for residential and commercial customers within a specific geographic area.

“*Copyrights*” means all works and materials for which we, or our affiliate, have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Bar-B-Clean Business, whether now in existence or created in the future.

“*Franchisee*” means the Bar-B-Clean Franchisee for which you are an employee, independent contractor, agent, representative or supplier.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Bar-B-Clean Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Bar-B-Clean Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Bar-B-Clean Business, including “Bar-B-Clean” and any other trademarks, service marks or trade names that we designate for use by a Bar-B-Clean Business. The term “Marks” also includes any distinctive trade dress used to identify a Bar-B-Clean Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation and management of a Bar-B-Clean Business, including Know-how, proprietary programs and products, confidential operations manuals and operating system.

**2. Background.** You are an employee, independent contractor, agent, representative or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership.** You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefits of the



Bar-B-Clean Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than performing of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Bar-B-Clean Franchising Inc. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

**6. Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Bar-B-Clean franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

#### **7. Miscellaneous.**

(a) Although this Agreement is entered into in favor of Bar-B-Clean Franchising Inc., you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.



(b) If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

(c) This Agreement will be governed by, construed and enforced under the laws of the state where your Bar-B-Clean business is located and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(d) Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 032916



**EXHIBIT H-4**

**PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

**Bank Account Information:**

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)		Bank Phone No.

**Authorization:**

Franchisee hereby authorizes Bar-B-Clean Franchising Inc. (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Federal Tax ID Number: \_\_\_\_\_

Rev. 032916

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**



EXHIBIT H-5

**BAR-B-CLEAN FRANCHISE**

**SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment (“**Agreement**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, between Bar-B-Clean Franchising Inc. (“**Franchisor**”), a California corporation, \_\_\_\_\_ (“**Former Franchisee**”), the undersigned owners of Former Franchisee (“**Owners**”) and \_\_\_\_\_, a \_\_\_\_ [State] [corporation/limited liability company] (“**New Franchisee**”).

**RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated \_\_\_\_\_, 20\_\_ (“**Former Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a Bar-B-Clean franchise located at \_\_\_\_\_ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor’s current form of franchise agreement together with all exhibits and attachments thereto (“**New Franchise Agreement**”), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).

2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee’s rights to operate the Franchised Business are terminated and that from the date of



this Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Bar-B-Clean franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the state where the Bar-B-Clean Franchise is located.

*(Signatures on following page)*



**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR:**

BAR-B-CLEAN FRANCHISING INC.

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

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

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

**FORMER FRANCHISEE:**

\_\_\_\_\_

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

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

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

**NEW FRANCHISEE:**

\_\_\_\_\_

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

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

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

Rev. 031821



**EXHIBIT H-6**

**BAR-B-CLEAN FRANCHISE**

**MULTI-FRANCHISE ADDENDUM TO FRANCHISE AGREEMENT**

THIS ADDENDUM (the “Addendum”) is entered into and made effective as of the date set forth on the signature page hereof, by and between Bar-B-Clean Franchising LLC (“Franchisor”) and the franchisee named on the signature page of this Addendum (“Franchisee”). This Addendum relates to that certain Bar-B-Clean franchise agreement dated \_\_\_\_\_, 20\_\_ (“Franchise Agreement”), and supplements the terms of the Franchise Agreement in relation to the opening of additional Bar-B-Clean franchises. All capitalized terms not otherwise defined in this Addendum shall have the meaning set forth in the Franchise Agreement. To the extent this Addendum conflicts with the terms of the Franchise Agreement, the terms of this Addendum shall control.

1. Initial Franchise Fee. Franchisee has paid the initial franchise fee listed in Attachment A to the Franchise Agreement. The initial franchise fee is fully earned immediately upon receipt and non-refundable, regardless of whether Franchisee opens any additional Bar-B-Clean franchises.

2. Number of Franchises. Franchisee has purchased the number of franchises listed in the table below, which allows Franchisee to open a certain number of additional Bar-B-Clean franchises at a later date (“Additional Franchises”) without paying an additional initial franchise fee.

Type of Franchise	Check One
Up to two Bar-B-Clean franchises Initial Franchise Fee Paid: \$91,500	_____
Up to 3 Bar-B-Clean franchises Initial Franchise Fee Paid: \$129,500	_____
Up to four Bar-B-Clean franchises Initial Franchise Fee Paid: \$163,500	_____
Up to 5 Bar-B-Clean franchises Initial Franchise Fee Paid: \$193,500	_____
Up to 6 Bar-B-Clean franchises Initial Franchise Fee Paid: \$223,500	_____
Up to 7 Bar-B-Clean franchises Initial Franchise Fee Paid: \$253,500	_____



Up to 8 Bar-B-Clean franchises Initial Franchise Fee Paid: \$281,500	_____
Up to 9 Bar-B-Clean franchises Initial Franchise Fee Paid: \$309,500	_____
Up to 10 Bar-B-Clean franchises Initial Franchise Fee Paid: \$337,500	_____

3. Franchise Agreement and Bar-B-Clean Franchise Agreements. Franchisee shall exercise the rights under this Addendum only by entering into a separate Bar-B-Clean Franchise Agreement with Franchisor for each Additional Franchise. Franchisee acknowledges that the then-current form of Bar-B-Clean franchise agreement may differ from the Bar-B-Clean Franchise Agreement that is signed in conjunction with this Addendum. Franchisee will not be required to pay a separate initial franchise fee.

4. Limited Rights. This Addendum does not grant Franchisee the right to franchise, license, subfranchise, or sublicense others to operate Bar-B-Clean Businesses. Only Franchisee (and/or Franchisee-affiliated entities Franchisor approves) may develop, open, and operate Additional Franchises pursuant to this Addendum and Bar-B-Clean franchise agreements. This Addendum only grants Franchisee the right to enter into Bar-B-Clean franchise agreements to open Additional Franchises subject to the terms of the franchise agreement for such Additional Franchises. Franchisee is not granted any territorial rights or other rights except those granted under the franchise agreement pursuant to the Bar-B-Clean franchise agreements for the Additional Franchises. Except for the initial franchise fee, Franchisee shall be liable for all costs and expenses incurred in opening the Additional Franchises.

5. Term. This Addendum and Franchisee’s right to open Additional Franchises shall terminate as of the date of termination or expiration of the Franchise Agreement.

*(Signatures on following page)*



IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement on the day and year first written above.

**FRANCHISOR:**

BAR-B-CLEAN FRANCHISING INC.  
a California corporation

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

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

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

**FRANCHISEE:**

\_\_\_\_\_  
A(n) \_\_\_\_\_

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

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

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

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



**EXHIBIT I**  
**STATE EFFECTIVE DATES**



## State Effective Dates

The following states have franchise laws that require that the Franchise 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 document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	May 31, 2023 Pending
Illinois	August 23, 2023 Pending
Indiana	April 27, 2023 Pending
Maryland	October 30, 2023 Pending
Michigan	May 1, 2023 Pending
Minnesota	November 9, 2023 Pending
New York	August 10, 2023 Pending
North Dakota	August 9, 2023 Pending
Rhode Island	May 1, 2023 Pending
South Dakota	August 14, 2023 Pending
Virginia	May 17, 2023 Pending
Washington	September 14, 2023 Pending
Wisconsin	April 28, 2023 Pending

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.



**EXHIBIT J**

**RECEIPTS**



**RECEIPT**  
**(Retain This Copy)**

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 Bar-B-Clean Franchising Inc. offers you a franchise, Bar-B-Clean Franchising Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Bar-B-Clean Franchising Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Bar-B-Clean Franchising Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Bar-B-Clean Franchising Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit D.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Bryan Weinstein, 5390 Los Monteros, Yorba Linda, California 92887, 888-551-8690

Issuance Date: April 26, ~~2023~~19, 2024

I received a disclosure document issued April 26, ~~2023~~19, 2024 which included the following exhibits:

- Exhibit A Franchise Agreement
- Exhibit B Financial Statements
- Exhibit C List of Current and Former Franchisees
- Exhibit D List of State Administrators and Agents for Service of Process
- Exhibit E Franchise Disclosure Questionnaire
- Exhibit F Brand Standards Manual Table of Contents
- Exhibit G State Addenda and Agreement Riders
- Exhibit H Contracts for use with the Bar-B-Clean Franchise
- Exhibit I State Effective Dates
- Exhibit J Receipt

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

Rev. 012417

**PLEASE KEEP THIS COPY FOR YOUR RECORDS.**



**RECEIPT  
(Our Copy)**

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- Exhibit I State Effective Dates
- Exhibit J Receipt

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

Rev. 012417

**Please sign this copy of the receipt, date your signature, and return it to Bar-B-Clean Franchising Inc., 5390 Los Monteros, Yorba Linda, California 92887.**

