



Franchise Disclosure Document

Flex Franchise

Duraclean International, Inc.

an Illinois corporation
220 W. Campus Drive
Arlington Heights, IL 60004
(847) 704-7100
www.duraclean.com

The franchisee will operate a service business for professional water damage restoration and mold remediation and HVAC & dryer vent ducts along with the cleaning of carpet, upholstery, in both residential and commercial service centers, the Restoration Franchise. The business is a full-time opportunity with the option to expand into new markets and services you desire at your own pace.

The total investment necessary to begin operation of the Duraclean Restoration and Cleaning Franchise is from \$108,704.66. to \$174,004.66. This includes \$89,500 that must be paid to the franchisor before the business opens.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats Duraclean 220 Campus Drive, Arlington Heights, IL 60004-1485, 800-251-7070 [ext-112](tel:800-251-7070).

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

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

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

Issuance Date: March 30, 202~~3~~⁴

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about 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 F.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Duraclean business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or it management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Duraclean franchisee?	Item 20 or Exhibit F & G lists current and former franchisee. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this 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 C.

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 that you resolve disputes for monies due and owing by litigation in Cook County, Illinois. The franchise agreement requires that you resolve disputes other than those for monies due and owing by arbitration only in Cook County, Illinois. Out of state litigation/arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to litigate/arbitrate with us in Illinois than in your own state.
2. **Out of State Governing Law.** The franchise agreement requires that Illinois law governs the agreement, and this law may not provide the same protections and benefits as local law. You may want to compare these laws.
3. **Mandatory Minimum payments:** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.”
4. **Inventory Control:** You must make inventory and supply purchases of at least \$1250.00 each year, even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.

Effective Date: March 30, 202~~3~~⁴

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Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document "Duraclean" means Duraclean International, Inc., the franchisor. Duraclean does not have a parent, predecessor or affiliate. "You" means the owner, partner, member or officer of the business entity who buys the franchise. Duraclean was founded in 1930. It does business only under its corporate name. In 1983, the owners organized as an Illinois corporation. Our principal business address is Duraclean International, Inc., 220 W. Campus Drive, Arlington Heights, IL 60004. (Duraclean's agent for service of process is stated in Exhibit D.) [Effective June 1, 2024 our new principal business address will be Duraclean International, Inc. 1585 Barclay Blvd. Buffalo Grove, IL 60089.](#)

Duraclean has developed and authorizes you the opportunity to own and operate a Duraclean service franchise with Primary Marketing Areas, trademarks and copyrights, proprietary chemical formulas, equipment, sales support and on-going assistance. We call this the franchise system with the competitive "Duraclean Difference."

You will be licensed to use the Duraclean name, training, and methods to engage in *any* or *all* of the Duraclean profit centers. You have the opportunity to engage in the business of professional water damage restoration plus mold remediation, carpet and upholstery cleaning, and dryer vent & duct cleaning servicing the insurance, residential and commercial markets. We will assist you in analyzing which profit centers are right for expansion and when to consider adding them.

The market for Duraclean services includes but is not limited to homes, apartments, condominiums, offices, hotels, motels, stores, factories, banks, churches, hospitals, restaurants, theaters, funeral homes, universities, veterinary hospitals, bowling alleys, schools, country clubs and government facilities.

Duraclean began offering part time cleaning franchises in 1946 and only changed to a full time franchise offering in 1998. Duraclean does operate franchises itself but does not have any other business activities. Our resources are exclusive to supporting the Duraclean franchise system.

As of the writing of this document there are no federal regulations specific to the industry in which Duraclean Franchises operate. You will be required to comply with Duraclean Standards and all local, state and federal laws that apply generally to all businesses.

Your competitors include independent service companies, department store service departments, and other restoration franchises.

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Item 2

BUSINESS EXPERIENCE

Vincent J. Caffarello, CEO and Treasurer

Came to Duraclean in 1986; his career in the franchise cleaning industry began in 1960. Past president of several cleaning industry associations and a former franchise owner of a diversified cleaning and restoration company.

Danielle Canup, President and Chief Operating Officer

Began her career with Duraclean in May of 1989 in the General Office Area and was promoted to Administrative Assistant in the Franchise Marketing Department in December of that year. She became Administrative assistant to the Vice President in 1990, became Assistant to the President in 1998, to Director of Administrative Services in 2005, to Vice President in 2013 and to her present position in 2019.

~~Wilbur A. Gage, Executive Vice President and Secretary~~

~~Started with Duraclean in July 1990. From 1963 to March 1988 he was Owner and General Manager of Magikist Carpet & Rug Cleaners, Chicago, Illinois, the largest rug cleaning company in the Midwest.~~

David Marienau, Vice President of Operations

Started at Duraclean in April 2003 and after 3 short months was promoted to Crew Chief. David was promoted from Director to Vice President of Operations at Duraclean in 2020, David has been certified in many fields of the industry, is responsible for training new franchises and employees on all aspects of the job, is responsible for overseeing Duraclean's company owned franchise, and creating training programs.

David Delgado, ~~Lead Technician~~Field Supervisor

Started at Duraclean in October of 2003, promoted to crew chief in 2004. Works on the day to day operation of the company owned franchise and is IICRC certified in water damage, and tile restoration. Helps with training of technicians, estimating, and execution of jobs in the field.

~~Cindy Gillespie, Administrative Services~~

~~Cindy came to Duraclean in March of 2012. Prior to coming to Duraclean, Cindy worked at Optimus Executive Search in Arlington Heights Illinois as an administrative assistant and then promoted to office manager from 2005 through 2012. Cindy's duties include customer service, marketing and other administrative duties.~~

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Item 3

LITIGATION

Actions

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

The initial Franchise Fee is \$29,500.

When the Restoration franchise agreement is signed all applicants pay a lump sum payment of \$ 89,500.00 which includes the Franchise Fee, training on line or at our corporate headquarters and in your territory, training materials, vehicle graphics allowance, printing, equipment, solutions, supplies, a business website, optional hosting & six month search engine optimization (SEO) and the first year subscription to Duraclean's web based computer software.

The franchise opening is immediate upon the completion of Duraclean's pre-opening obligations. Duraclean franchisees work from home and begin immediately upon receipt of their equipment and training. Some franchisees are conversions, already equipped to provide service and many begin their Duraclean business by marketing prior to attending training.

All Duraclean prices are in United States dollars. **Add taxes and shipping to above payments where applicable.**

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Item 6

OTHER FEES

Type of fee	Amount	Due Date	Remarks
Franchise Royalty*	A minimum plus a percentage of total gross sales ¹ as follows: \$ 83 minimum for up to \$ 500 of revenue produced plus 8% of sales over \$ 500 and below \$ 3000; plus 6% between \$ 3000 and \$6000 and; plus 2% of all sales over \$6000.	Fifteenth & last day of the month	1./
Supplies*	Minimum of \$1250 Annually	During the year	See Item 8
Additional Items*	Varies	When Purchased	2./
Franchise Expenses	Varies	Varies	Advertising, Insurance, State & Local Taxes
Late Payment*	1-1/2% interest	Monthly	Unpaid Amount
Transfer of Franchise Ownership*	\$13,250.	When you sell your franchise	Transfer fee comes from your Franchise sale income
Costs & Attorneys' fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement
Indemnification	Will vary under circumstances	As incurred	You are solely responsible to customers for services performed
Administrative services*	Varies	As incurred	3./
Software annual renewal*	\$1188.	Annually	Payable in advance annually

* These fees are enacted by and are payable to Duraclean and are uniformly imposed.

All fees and purchase prices above are non-refundable and subject to change in the future. Franchised outlets have no voting power with respect to any fees imposed.

1./ The Franchise Royalty is compensation for use of the Duraclean marks and continuing services. Developed from over 90 years of experience and designed to build customer confidence, cut your operating costs and help bring service jobs to you, these services include continuous training, education, research and support. Your share of Duraclean's Franchise Royalty program to be reported via e-mail utilizing the Duraclean software reports and to be paid semi-monthly is \$ 83 minimum for up to \$ 500 of revenue produced plus 8% of sales over \$ 500 and below \$ 3000; plus 6% between \$ 3000 and \$6000 and; plus 2% of all sales over \$6000.

Duraclean representatives may visit you at any reasonable time to determine that equipment, vehicles, place of business, signs and advertising are in keeping with Duraclean Standards as specified in the Duraclean Brand Imaging Standards and the Agreement. Representatives may audit business records, reports, tax returns, bank statements and request or make copies of records. You agree to preserve business records in accordance with generally accepted accounting principles for seven years.

2./ One of the features of the Duraclean franchise is your flexibility to expand into services at your own pace with no additional Franchise Fee. When establishing your franchise, you may purchase Duraclean equipment, chemical and business-building materials for additional services. This flexibility may allow you to begin your business by paying the franchise fee and buy the items necessary for expansion into any services desired. See Exhibit K1 for more details.

3./ You are responsible for administrative service fees incurred such as Adding a Partner, Dropping a Partner, special Computer Support, returned checks, late fees, restocking charges and wire transfer fees as outlined on the then current Duraclean Fees and Services form. These fees are due if and/or when the service is incurred. For the current Fees and Services form please see Exhibit K2.

Item 7

ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee	\$29,500	Lump Sum	With Franchise Agreement	Duraclean Int'l
Opening Inventory (6)	\$ 60,504.66	As Agreed	With Franchise Agreement	Duraclean Int'l
Business Liability Insurance (1)	\$10,500 (annually)	As Agreed	As Incurred	Third Parties
Business Vehicle Insurance (1)	\$1,200 - \$3,500	As Agreed	As Incurred	Third Parties
Business Vehicle (4)	\$0 - \$48,000	As Agreed	As Incurred	Outside Supplier
Training Expenses (5)	\$0 - \$1,000	As Incurred	As Incurred	Third Parties
Additional Funds – Initial 6 Month Period (3)	\$7,000 - \$21,000	As Incurred	As Incurred	Third Parties
Total Estimated Initial Investment (2)	\$108,704.66 - \$174,004.66			

Neither Duraclean nor its affiliates lease equipment however, a portion of the initial payment for equipment may be leased from third parties with approved credit. All payments are non-refundable.

Explanatory Notes

1. You may obtain your business liability insurance locally from your own agent. The monthly cost for this coverage is estimated to range from \$125 to \$500 and is dependent upon the operations, geographic location and sales of your franchise.

Franchisees are currently obtaining insurance coverage for service vehicles depending upon the carrier, deductible and the franchise location, franchisees are currently obtaining this insurance coverage for approximately \$ 75 to \$ 300 per month per vehicle. Worker’s compensation coverage is pursuant to applicable state statute. Contractors Pollution Liability insurance premiums vary based on location and revenue.

2. Franchise owners generally start operations from their homes and move to other quarters when their business outgrows the home environment. When you operate your franchise from your home, you will not have expenses for such items as real property, leasehold improvements, fixtures, construction, remodeling and security deposits. Duraclean cannot reasonably estimate your required expenditures when you determine not to operate the franchise out of your home. The amounts will vary depending upon the type of location you select, whether purchased or leased and whether or not remodeled and furnished.

3. This item estimates your initial six month start-up expenses. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill and business experience; local economic conditions; the local market for your services; competition; and the sales level reached during the initial period. These estimates are based on Duraclean's ninety-three years of experience.
4. You may use your existing white van, you may purchase a used white van or you may choose to begin your business with the purchase or lease of a new white van. The equipment manufacturer recommends installation of the CDS cleaning machine in a new Chevy Express or GMC cargo van (2/3 or 1 ton with V8 engine) or in a used van less than 2 years old with less than 30,000 miles on the engine.
5. You are responsible for additional travel expenses that may be incurred during Duraclean's Success Institute.
6. This amount includes equipment, solutions, supplies, manuals, vehicle graphics, printing, a business website template and the first year subscription to Duraclean's web based computer software.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To maintain quality standards throughout the Duraclean Franchise System, you are obligated to purchase from Duraclean only the service equipment, chemical concentrates and materials required to provide the highest quality of service guaranteed by franchisees in their advertising to consumers. In the year ending December 31, 2022, Duraclean's revenues from the sale of equipment, supplies and chemical to franchisees were \$71,375 or < 4.99% of Duraclean's \$1,428,108 total revenue. Duraclean Officers do not own an interest in any of its suppliers.

To preserve the goodwill associated with Duraclean trade names and service marks and to protect Duraclean from potential claims for damages arising out of the use of other service equipment or cleaning materials, you agree to use only Duraclean approved methods, equipment, chemicals, materials, uniforms, vehicle signing and standards, as in the Duraclean Imaging Standards and in the Duraclean Training Manuals which are issued to you. These specifications include equipment, chemical, and service standards. No substitutes or additives are permissible unless you can satisfy Duraclean that machines and/or concentrates available to you from other sources meet Duraclean's specifications to maintain high standards for quality, safety to fibers and fabrics, colors, and performance. Duraclean believes it unlikely that you will be able to find equipment or chemicals meeting Duraclean's standards at a cost competitive with the prices at which Duraclean offers such equipment and chemicals to its franchisees.

You will adhere to the highest standards of honesty, integrity, fair dealing and conduct in operating your business. You will not engage in any business or advertising practice which might injure Duraclean's business or the goodwill associated with the Duraclean marks or the Duraclean system.

You agree to purchase a minimum amount of Duraclean chemical concentrates and solutions, equipment, supplies, marketing material and parts (excluding software, royalty, service charges, postage, freight, handling and labor) each calendar year (currently \$1,250) starting on January 1 of the calendar year following date franchise is established. Any shortfall will be billed to you after year's end. This assures franchisees in the franchise system that all franchisees use products which meet Duraclean standards for quality, performance and safety to fibers, fabrics and colors.

It is estimated that the required purchases are less than 25% of the total purchases you will make for establishing and operating the franchise. Duraclean does not receive payments from designated suppliers and there are no purchasing or distribution cooperatives currently in existence.

You agree to carry the following insurance coverages at all times with an insurer satisfactory to Duraclean:

a. Workmen's Compensation and Employers Liability as prescribed by law in the state or province in which business is conducted.

b. Comprehensive general liability insurance including liability and medical expenses, personal and advertising injury, fire legal liability - fire, lightning, or explosion with the following minimum limits:

Liability & Medical Expenses	\$1,000,000.
Medical Expenses / any one person	\$ 5,000.
Personal & Advertising Injury	\$1,000,000.
Fire Legal Liability	\$ 300,000.
Aggregate Limits	
Products - Completed Operations	\$2,000,000.
General Aggregate	\$2,000,000.

c. Automobile liability insurance for both owned and non-owned vehicles with the following minimum limits:

Liability	\$1,000,000.	per occurrence
Un Insured Motorists	\$1,000,000.	as required by statue
Under Insured Motorists	\$1,000,000.	as required by statue

d. Contractors Pollution Liability Insurance occurrence based, primary and non-contributory with the following minimum limits:

Liability	\$1,000,000.	per occurrence
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Duraclean must be named as an additional insured with an appropriate Franchisor additional insured endorsement on each insurance policy. You will furnish Duraclean with proof of coverage upon request.

We may issue and alter minimum franchise system specifications, requirements and standards for technology, software, design, quality and/or performance, from time to time, by changes in or additions to the Instruction Manuals or by other reasonable notice. Typically we do not negotiate purchase arrangements with suppliers or otherwise provide material benefit based on your use of designated sources or for your purchase of particular products or services.

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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 III.	Item 7, 11, 12
b. Pre-opening purchases/leases	Section I & III	Item 7, 11
c. Site development and other pre-opening requirements	Section III	Item 7, 11, 12
d. Initial and ongoing training	Section I & II	Item 11
e. Opening	Section III	Item 7, 8
f. Fees	Section II & IV	Item 5, 6
g. Compliance with Standards and policy/ Operating Manual	Section III	Item 6, 8
h. Trademarks and proprietary information	Section II & III	Item 13 & 14
i. Restrictions on products/ services offered	Section III	Item 8 & 16
j. Warranty and customer service requirements	Section III	Item 8
k. Territorial development and sales quotas	Section III	Item 12
l. Ongoing product/ Service purchases	Section III	Item 6, 8

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Obligation	Section in Franchise Agreement	Disclosure Document Item
m. Maintenance, appearance and remodeling requirements	Section III	Item 7
n. Insurance	Section III	Item 7
o. Advertising	Section I & II	Item 11
p. Indemnification	Section IV	Item 10
q. Owner's participation/management/staffing	Section III	Item 15
r. Records/reports	Section III	Item 6
s. Inspections/audits	Section III	Item 6
t. Transfer	Section V	Item 17
u. Renewal	Section VI	Item 17
v. Post-termination obligations	Section VI	Item 17
w. Noncompetitive covenants	Section VI	Item 17
x. Dispute resolution	Section VII	Item 17
y. Owners/Shareholders Guarantee	Signature Page Exhibit A-3	Item 15

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Item 10

FINANCING

Summary of Financing Offered

Duraclean does not offer financing.

Duraclean does not arrange financing from other sources however, a portion of the initial payment for equipment may be leased from third parties with approved credit.

Duraclean does not have any past or present practice to sell, assign or discount to someone else, in whole or in part, any note, contract or other instrument signed by you, but it reserves the right to do so in the future.

Duraclean does not receive direct or indirect payments for placing financing.

Duraclean does not guarantee your obligations to third parties.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING,
COMPUTER SYSTEMS and TRAINING

Except as listed below, Duraclean is not required to provide you with any assistance.

Pre-opening obligations – before the opening of the franchised business Duraclean will:

1. Furnish Duraclean Training Materials, electronic marketing pieces, restoration and cleaning forms, cat / large loss forms, OSHA and safety training materials, human resource and management materials. (Franchise Agreement Section I.1)
2. Provide you with of instruction at Duraclean's *Success Institute* to learn methods of operating your franchise. (Franchise Agreement Section I.2)
3. Provide you with vehicle graphics allowance of \$500, marketing materials to operate and grow your service business. (Franchise Agreement Section I.4, Section I.8 & Section I.13)
4. Assign you a jointly determined marketing area, called a Primary Marketing Area, where you must maintain a telephone and a street address or post office box address for customer contact purposes. (Franchise Agreement Section III.8)

Franchises typically open their business 45-90 days after the Agreement is signed or the first payment of consideration, whichever is earlier. The franchise opening is immediate upon the completion of Duraclean's pre-opening obligations. Factors that may affect opening time include financing, weather conditions, shortages, and the installation of equipment and vehicle graphics.

Post-opening obligations – during the operation of the franchised business, Duraclean will:

- 1) As part of the initial package, provide a business website template which includes optional hosting and six months of optimization to assist you in securing a market presence.
- 2) Provide you with a template for a Business Facebook Page to begin your Social Media Presence.
- 3) Make available, via our proprietary "duracleanfranchise.com" website, business building materials such as billboard and digital advertising artwork, full-color ad mailers, various sales folders, full-color postcards, e-mail ready fillable artwork, digital presentations, and several important operational forms. (Franchise Agreement Section 1.5)
- 4) Furnish you with an account credit of \$250.00 to be used for the purchase of business building materials imprinted with your franchise name, address and telephone number. This includes envelopes, letterhead and business cards (franchise Agreement Section 1.6)

- 5) Furnish you with an additional account credit of \$250.00 to be used for the purchase of Duraclean image-~~ware~~wear, consisting of shirts, hats, jackets, and pants. (Franchise Agreement 1.7)
- 6) Provide you with your first year's subscription to Duraclean's Business Software that will allow you to store your complete customer database including electronic reports, record forms and files (Franchise Agreement Section III. 13 & III.14)
- 7) Maintain an advisory staff of experienced specialists, in all aspects of your business operation including management, marketing and technical topics(Franchise Agreement Section II.3)
- 8) Conduct Ongoing Support with Webinar Training Presentations, Sales Training Seminars, Regional Workshops for Franchise Owners and multi-day Annual Meetings so you can exchange ideas by networking with other Duraclean franchise owners, hear expert speakers, get answers to questions and keep up-to-date on the latest developments in our industry. You are required to the Annual Meeting; you pay only your travel and living expense. (Franchise Agreement Section II. 4)
- 9) Duraclean will make available ~~a weekly bulletin on the~~ latest technical information, sales and marketing hints and other business-building information exclusively for our franchise owners. (Franchise Agreement Section II. 6)
- 10) We will provide you with an on-going flow of up-to-date information in marketing, management and technical topics. (Franchise Agreement Section II.5)
- 11) Duraclean will maintain both chemical and equipment research and development to improve your services and to aid you on any unusual service situations (Franchise Agreement Section II. 13)
- 12) We will provide you with equipment that is free from obvious defects in material and workmanship and will warrant this for a period of six months from the date you receive it. During the six month period mentioned, we will send you replacement parts in exchange for defective parts. (Franchise Agreement Section II. 14)
- 13) We will maintain for purchase a complete line of high quality cleaning, deodorizing and disinfecting solutions, specifically formulated for Duraclean. (Franchise Agreement Section II.11)
- 14) We will provide for purchase, at below market price, equipment and supplies used to provide services supported by Duraclean.

Advertising - While there is no advertising requirement, Duraclean develops advertising and promotional programs and provides local support material. Duraclean will:

- a) Outline marketing, advertising, and promotional programs based on many years of experience in the cleaning field for you to implement in local markets. (Franchise Agreement Section I.12)
- b) Stay in contact with all aspects of the restoration industry, including; Insurance Companies, Equipment Manufacturers, and Software Developers, to keep you up to date with the latest in industry trends and policy direction. (Franchise Agreement Section II.18)

Computer Systems - Duraclean Software. Duraclean requires the use of its web based software package (first year service included with your initial purchase, the current annual cost for a single user renewal is \$1188 that delivers sales, marketing and management functions to your business through a powerful program that's organized for ease of use. This software was developed to incorporate all your business needs including estimates, invoices, customer files, letters, labels, scheduling, accounts receivable, business analysis reports, work orders, invoices and statements.

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The general guidelines to utilize Software is as follows:

- On Windows, the current versions of Chrome, Firefox, and/or Edge are supported browsers (Chrome is the Duraclean recommended browser)
- On Mac, the current versions of Chrome, Firefox, and/or Safari are supported browsers (Chrome is the Duraclean recommended browser)
- Recommended desktop screen resolution is 1920 x 1080
- Minimum desktop screen resolution is 1280 x 768

In addition to this, users need to have a username already created for the Duraclean Software, with a valid email address attached to the user. They also need to have a role assigned.

You must provide all assistance required to bring the software on-line at the earliest possible time and to maintain this connection as we require. We may retrieve from your System all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information. (Franchise Agreement Section I.4)

Training - The Table of Contents for Duraclean Training Manuals as of the date of this disclosure document can be found in Exhibit K3.

Duraclean will provide a Success Institute including five days via webinar/video-conferencing/pre-recorded video or in Arlington Heights at the Corporate Headquarters at our choosing.

The subjects covered are as described in the following table:

TRAINING PROGRAM

Subject	Classroom / online Hours	Location
Business Plan	2	Arlington Heights or on line
Carpet Cleaning	5	Arlington Heights or on line
Upholstery Cleaning	3	Arlington Heights or on line
Solution Comparison	1	Arlington Heights or on line
Water & Mold Restoration Services	10	Arlington Heights or on line
HVAC Duct & Dryer Vent Cleaning	3	Arlington Heights or on line
Marketing	8	Arlington Heights or on line
Management	2	Arlington Heights or on line
Safety & Health	1	Arlington Heights or on line
Office Setup	2	Arlington Heights or on line
Software System	2	Arlington Heights or on line
License & Insurance	1	Arlington Heights or on line
	40	

The Success Institute is held approximately five times each year in Arlington Heights, Illinois, at which you can learn service, salesmanship, advertising and methods of operation including “in-the-field” instruction in a friendly, relaxed atmosphere. There is no registration charge for attending. Due to the proprietary information contained in the training only individuals whose name is on the agreement will be allowed to attend. Members of the staff who are instructors collectively have over one hundred years of experience in the industry. The *Success Institute* is directed by Vincent J. Caffarello, Chairman and CEO of Duraclean. . Duraclean will pay room and board expenses for you, your spouse and partners authorized on the agreement who are registered in advance and Duraclean will give you one (1) round trip air ticket to Chicago, or pay car mileage allowance at .50 per mile up to value of air fare. You are responsible for additional expenses during Duraclean’s Success Institute. During this period you will develop a step-by-step business plan with Duraclean’s staff of experienced professionals, many of whom have operated businesses offering the same services you will be offering, to help you in the orderly and efficient start-up of your business. Talk with your counselors about your situation but it is generally recommended that, several weeks before you attend the Success Institute, you receive your equipment and supplies so you will be familiar with items and procedures when you arrive for the Success Institute training. You should avail yourself of the above described programs soon after commencing operations. You are required to attend the Success Institute within two months after you sign the Franchise Agreement. (Franchise Agreement paragraph I.3).

Item 12

TERRITORY

You and Duraclean jointly will determine a custom designed location in which you will operate one Duraclean Franchise (the "Primary Marketing Area"). To establish the Primary Marketing Area for which there is no minimum size, a number of factors are taken into account, such as population of the area, the number of residential households by income strata, market potential for commercial business, etc. You will concentrate your sales and servicing efforts in your assigned Primary Marketing Area, which does not necessarily need to be the city or town in which you reside. However, you must maintain a telephone and a street address or post office box address within the assigned Primary Marketing Area for customer contact purposes. (Franchise Agreement paragraph III.8)

Duraclean will approve the relocation of the franchise when the territory requested can support the addition of a Duraclean Franchise without conflict.

The right of first refusal to purchase specific additional limited available franchise territories may be agreed to when the Primary Marketing Area is designed, however, Duraclean is not required to offer the right of first refusal to purchase additional territories.

When possible, the Primary Marketing Area is designed for just one Franchise. The Primary Marketing Area is nonexclusive; you will not receive an exclusive territory; you may face competition from other franchisees, from franchises that we own, or from other channels of distribution or competitive brands that we control however, Duraclean will not establish additional franchises in an Area where it believes the existing franchise owner(s) have adequate Duraclean customers or have a marketing plan with Duraclean in place to service the Area with continued minimal growth.

If you default on your franchise agreement or your Primary Marketing Area agreement Duraclean may modify your territorial rights.

Duraclean reserves the right to use other channels of distribution, such as the internet, telemarketing, or other direct marketing sales, to make sales of products or services within the Primary Marketing Area using Duraclean’s principal trademarks or trademarks different from the ones you will use under the franchise agreement. Dependent upon your involvement in the services provided and by agreement compensation may be paid to you however Duraclean is not required to pay such compensation.

Item 13

TRADEMARKS

Duraclean grants you a nonexclusive license to operate a restoration service franchise under the name Duraclean. You may also use our other current or future trademarks to operate your franchise. You may not use Duraclean trademarks in your corporate or limited liability company name. By trademark Duraclean means trade names, trademarks, service marks and logos used to identify your business services and products.

The following trade names, service marks and trademarks used in the Duraclean System are registered with the United States Patent and Trademark Office, as follows:

	<u>Registration Date</u>	<u>Registration Number</u>	<u>Register</u>	<u>Renewal Date</u>
DURACLEAN	Nov. 29, 2005	3,019,689	Principal	Nov. 29, 2025
SPOTCRAFT	Nov. 11, 1958	669,729	Principal	Nov. 11, 2028
DURACLEAN	April 6, 1965	787,956	Principal	April 6, 2025
DURASHIELD PLUS	July 5, 1983	1,244,802	Principal	July 5, 20 23 ²⁴
DURASHIELD PLUS	Sept. 18, 1984	1,295,310	Principal	Sept. 18, 2024
"Rose Flower Symbol"	May 10, 1983	1,237,678	Principal	May 10, 20 23 ²⁴
FLOWER-FRESH	Aug. 21, 1984	1,291,488	Principal	August 21, 2024
FABRICRAFTER	July 9, 1985	1,347,221	Principal	July 9, 2025

Duraclean has filed all affidavits of use for its principal trademarks.

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The Name and Mark "Duraclean" is registered in all fifty States as follows:

	Registration Date	Registration Number	Renewal Date		Registration Date	Registration Number	Renewal Date
AL	3/11/58	109129	1/30/294				
AK	10/27/60	243	10/24/25	NV	1/27/58	N/A T202208312966371	
AZ	1/6/58	12881	1/05/08		8/31/27		
AR	1/6/58	800030456	3/254/249	NH	1/27/58	N/A	11/6/29
CA	2/6/58	107922	1/23/27	NJ	1/20/58	9655	4/4/22
CO	1/27/58	20081641219	12/10/237/20 NM		3/20/58	5379	3/20/08
CT	3/19/58	20990	7/05/25	NY	3/5/58	R-29829	2/17/32
DE	1/21/58	N/A	2/22/29	NC	3/10/58	444	3/10/29
FL	1/21/58	T08000001398	12/19/238	ND	1/21/58	12468	1/21/0/4834
GA	1/8/58	T-869	1/8/08	OH	3/8/58	3132	12/17/28
HI	11/9/60	4022013	4/21/249	OK	1/6/58	32104	1/17/27
ID	1/27/58	19510	5/29/28	OR	3/11/58	T-13227	7/22/9/249
IL	6/7/58	067364	9/24/25	PA	3/4/58	2945745	3/1/25
IN	1/27/58	2008-0392	5/286/238	RI	3/24/58	75-10-32	10/1/26
IA	1/14/58	W00523694	4/02/27	SC	1/22/58	N/A	11/18/26
KS	1/20/58	17949	5/5/249	SD	1/28/58	N/A	3/26/26
KY	1/27/58	16983	6/10/238	TN	1/21/58	9000015808	142/17/238
LA	1/22/58	N/A	12/18/28	TX	1/27/58	800985343	5/29/283
ME	1/27/58	19800269M	12/31/30	UT	1/28/58	7452093-0190	8/27/24
MD	1/27/58	90-7274	10/9/30	VT	1/6/58	M0008916	3/27/27
MA	2/10/58	80274	1/29/25	VA	1/22/58	2357	2/15/27
MI	1/28/58	M47-009	7/19/28	WA	3/13/58	32202	5/1/294
MN	4/2/58	598	4/24/31	WV	1/18/58	N/A	perpetual
MS	1/27/58	10077757	65/24/238	WI	1/6/58	10300202300090571	
MO	1/10/58	00474	5/6/32		11/14/973/1/33		
MT	1/17/58	22009	1/22/27	WY	1/27/58	245277	12/19/238
NE	1/16/58	1000127583	9/24/30				

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In addition to Federal and State registrations in the United States, the Name and Mark "Duraclean" is also registered or applications are pending in selected countries as follows:

	Registration Date	Registration Number	Renewal Date
Australia	11-03-87	A475836	11-03-28
Benelux	11-10-87	436290	11-10-27
Brazil	06-01-93	817303502	12-06-24
	10-20-97	820328529	06-20-30
Brunei	09-01-97	TMA28188	09-01-24
Canada	06-29-55	100896	06-29-30
China	11-28-99	1339957	11-27-29
Ecuador	09-15-95	1818/98	11-23-28
Great Britain	10-15-65	885606	10-05-30
	11-10-87	1326444	11-10-24
Indonesia	07-30-94	341450	07-30-24
Ireland	06-19-67	71902	06-19-22
Italy	10-16-69	252918	10-16-29
Japan	02-14-95	4065325	10-03-27
Malaysia	08-30-97	97012363	08-30-24
Mexico	01-25-05	698634	01-25-25
Nigeria	02-19-81	38869/81/3	application
Norway	12-23-64	65363	12-23-24
Panama	09-05-00	109766	09/05/30
Saudi Arabia	12-17-80	111/62	07-15-29
Singapore	08-28-97	97/10579	08-27-27
South Korea	04-30-84	4391	04-30-24
Trinidad	02-17-81	12535	02-16-29
Turkey	10-04-94	154350	10-06-24

Duraclean retains sole ownership of the Names and Marks that it has developed and may develop in the future. We know of no "effective material determination" of the Patent and Trademark Office, trademark trial and appeal board, or the trademark administrator of this state or any court; pending infringement, opposition or cancellation; pending material litigation, and/or any superior prior right. No agreements limit Duraclean's right to use or license the use of Duraclean's Names and Marks.

It is the policy of Duraclean to take actions necessary to protect the Names and Marks although the Agreement does not specifically require us to do so. When you learn about an infringement of or challenge to your use of our trademark you must notify Duraclean immediately. In the past, Duraclean has taken legal action, when necessary, to stop others from the use of a name that was confusingly similar to the name "Duraclean."

Duraclean does not know of any superior or infringing uses that could materially affect your use of Duraclean's Names and Marks.

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Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Duraclean on-line resources provides the latest industry information as well as news about the Franchise system. Duraclean intends to copyright © each new Journal as it is published. You receive the right to use the proprietary information in Duraclean manuals. The Duraclean manuals are described in Item 11. Although Duraclean may or may not have filed an application for a copyright registration for each of these manuals, it claims a copyright and the information is proprietary. Item 11 describes limitations on the use of these manuals by you and your employees. Duraclean intends to renew these copyrights.

The knowledge you obtain about the Duraclean processes, products, services, technology and the operation of the Duraclean franchise comes from information disclosed to you by us. This information is proprietary, confidential and a trade secret. Our Agreement provides that you maintain the absolute confidentiality of all such information during and after the term of the Agreement. Duraclean will not license to others outside the Duraclean Franchise System any rights in any Duraclean patents or Duraclean copyrights.

It is the policy of Duraclean to take action necessary to protect its Copyrights although the Agreement does not specifically require us to do so. Duraclean is not materially limited by any agreement and we do not know of any infringing uses that could materially affect your use of Duraclean's Patents and Copyrights. Duraclean will reimburse you for your tangible costs of compliance if you are required to modify or discontinue the use of the subject matter covered by patent or copyright,

Patent-protected items, copyright protected manuals and business-building materials along with trade secrets and proprietary chemical formulas create the "Duraclean Difference" which in turn creates your place in the marketplace.

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Item 15

**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION
OF THE FRANCHISE BUSINESS**

While you must attend Success Institute, Duraclean does not require that the owner personally directly supervise the franchise business but that is the usual procedure. Duraclean does not limit who you can hire or require that employees have specific training or equity interests in the franchise. You own the franchise as an independent business person. We are not joint ventures, partners, joint employers or agent of the other. You are an independent contractor.

Each individual who owns an interest in the franchisee entity, which may or may not include your spouse, must sign an agreement (Exhibit A) assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement. You are further obligated to maintain confidentiality (see Item 14) and refrain from competing (see Item 17) with Duraclean or any Duraclean business.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may not offer or sell goods and services similar in nature to those in the Duraclean franchise system. You are not prohibited from selling **non-related** goods and services however the sales of any goods or services under the Duraclean name are subject to Royalty. Duraclean reserves the right to modify services and products from time to time.

You will devote your best efforts to develop satisfied Duraclean customers for your service business and will not directly or indirectly engage in, support or work for any non-Duraclean business offering services competitive to those of Duraclean during the term of the Agreement.

While you are obligated to offer the services of the Franchise acquired, you do not have to provide all the services available from Duraclean to your customers. You may add Duraclean services and have your business grow at your own pace.

There are no other restrictions limiting your access to customers.

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Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a) Length of the franchise term	VI	The term of the Franchise is five years
b) Renewal or extension of the term	VI	If in good standing you may renew every five years for five additional years
c) Requirement for you to renew or extend	VI	Sign new agreement with conditions that are not materially different than the original agreement.
d) Termination by you	VI	Upon 120 day notice if in good standing
e) Termination by Duraclean without cause	VI	Duraclean cannot terminate without cause
f) Termination by Duraclean with cause	VI	Duraclean can terminate only if you default
g) "Cause" defined" - curable defaults	VI	30 days to cure shortcomings upon written notice
h) "Cause defined" - non-curable defaults	VI	Non-curable defaults: conviction of felony, repeated defaults even if cured, abandonment, trademark misuse, unapproved transfers, insolvency or unable to pay creditors promptly
i) Your obligations on termination non-renewal	VI	Return proprietary information, sell patented equipment, stop using Duraclean marks, stop industry participation and remit any outstanding amounts due and you agree to disconnect and/or sign a letter of agency assigning business telephone number(s)..
j) Assignment of contract by Duraclean	None	No restriction on Duraclean's right to assign
k) "Transfer" by you - definition	V & VI	Ownership change includes transfer of satisfied customer accounts and tangible assets
l) Duraclean's approval of transfer franchisee	V	Duraclean has the right to approve all transfers but will not unreasonably withhold by approval

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
m) Conditions for Duraclean approval of transfer	V	New franchisee qualifies, transfer fee paid, transfer agreement which may contain different terms and conditions including the then current fees and charges signed & approved
n) Duraclean's right of first refusal to acquire your business	VI	30 day right of first refusal to purchase franchise upon receipt of written notice
o) Duraclean's option to purchase your business	VI	While not required, Duraclean may purchase your business at the same terms offered by a 3rd party
p) Your death or disability	V	You or your estate may operate or sell your business
q) Non-competition covenants during the term of the franchise	III	You will not directly or indirectly engage in, support or work for a non Duraclean business offering services competitive to those offered by Duraclean
r) Non-competition after the franchise is terminated or expires	VI	For two years you will not directly or indirectly engage in, support or work for any business operating in your Primary Marketing Area which offers services similar to those offered by Duraclean.
s) Modification of the agreement	None	Manuals are subject to change. Agreement by Rider or Addendum only
t) Integration/ merger clause	VII	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u) Dispute resolution by arbitration or mediation	VII	Dispute resolution by arbitration for matters other than monies due and owing.
v) Choice of forum	VII	Any state or federal court located in Cook County, Illinois
w) Choice of law	VII	Illinois law applies

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representative to make any such representation either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Chairman and CEO, Vincent J. Caffarello, c/o Duraclean International, Inc., 220 Campus Drive, Arlington Heights, Illinois 60004-1485, 800-251-7070, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20

Outlets and Franchisee Information

Table No. 1
System-wide Outlet Summary
For Years 20201 to 20223

<u>Outlet Type</u>	<u>year</u>	<u>Outlets at the start of the year</u>	<u>Outlets at the end of the year</u>	<u>Net change</u>
<u>Franchised</u>	<u>2020</u>	<u>107</u>	<u>103</u>	<u>-4</u>
	<u>2021</u>	<u>103</u>	<u>98</u>	<u>-5</u>
	<u>2022</u>	<u>98</u>	<u>95</u>	<u>-3</u>
<u>Company Owned</u>	<u>2020</u>	<u>10</u>	<u>10</u>	<u>0</u>
	<u>2021</u>	<u>10</u>	<u>10</u>	<u>0</u>
	<u>2022</u>	<u>10</u>	<u>10</u>	<u>0</u>
<u>Total Outlets</u>	<u>2020</u>	<u>117</u>	<u>113</u>	<u>-4</u>
	<u>2021</u>	<u>113</u>	<u>108</u>	<u>-5</u>
	<u>2022</u>	<u>108</u>	<u>105</u>	<u>-3</u>

<u>Outlet Type</u>	<u>year</u>	<u>Outlets at the start of the year</u>	<u>Outlets at the end of the year</u>	<u>Net change</u>
<u>Franchised</u>	<u>2021</u>	<u>103</u>	<u>98</u>	<u>-5</u>
	<u>2022</u>	<u>98</u>	<u>95</u>	<u>-3</u>
	<u>2023</u>	<u>95</u>	<u>95</u>	<u>0</u>
<u>Company Owned</u>	<u>2021</u>	<u>10</u>	<u>10</u>	<u>0</u>
	<u>2022</u>	<u>10</u>	<u>10</u>	<u>0</u>
	<u>2023</u>	<u>10</u>	<u>10</u>	<u>0</u>
<u>Total Outlets</u>	<u>2021</u>	<u>113</u>	<u>108</u>	<u>-5</u>
	<u>2022</u>	<u>108</u>	<u>105</u>	<u>-3</u>
	<u>2023</u>	<u>105</u>	<u>105</u>	<u>0</u>

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other than Duraclean)
For Years 20201 to 20223

<u>State</u>	<u>Year</u>	<u>Number of Transfers</u>
<u>Total</u>	<u>2020</u>	<u>0</u>
	<u>2021</u>	<u>0</u>
	<u>2022</u>	<u>0</u>

<u>State</u>	<u>Year</u>	<u>Number of Transfers</u>
<u>Total</u>	<u>2021</u>	<u>0</u>
	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>1</u>

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Table No. 3
 Status of Franchised Outlets
 For Years 2020¹ to 2022³

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
California	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Colorado	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Connecticut	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Florida	2020	7	0	0	0	0	1	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Georgia	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	1	8
	2022	8	0	0	0	0	0	8
Idaho	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Illinois	2020	7	0	0	0	0	0	7
	2021	7	0	0	1	0	0	6
	2022	6	0	0	0	0	0	6
Indiana	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Iowa	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5

State	Year	Outlets-at Start-of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets-at End-of-the Year
Maine	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maryland	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Massachusetts	2020	6	0	1	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	1	5
Michigan	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Missouri	2020	3	0	1	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New Hampshire	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
New York	2020	7	1	0	0	0	0	8
	2021	8	0	0	0	0	1	7
	2022	7	0	0	0	0	0	7
North Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
North Dakota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Ohio	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Oklahoma	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Pennsylvania	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
South Carolina	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
South Dakota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations—Other Reasons	Outlets at End of the Year
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Texas	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Virginia	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
West Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Total	2020	107	1	2	1	0	1	103
	2021	103	0	0	1	0	4	98
	2022	98	0	0	0	0	3	95

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Terminations</u>	<u>Non-Renewals</u>	<u>Reacquired by Franchisor</u>	<u>Ceased Operations – Other Reasons</u>	<u>Outlets at End of the Year</u>
<u>California</u>	<u>2021</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2022</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2023</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
<u>Colorado</u>	<u>2021</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Connecticut</u>	<u>2021</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2022</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>1</u>
<u>Florida</u>	<u>2021</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
	<u>2022</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
	<u>2023</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
<u>Georgia</u>	<u>2021</u>	<u>9</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>8</u>
	<u>2022</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>
	<u>2023</u>	<u>8</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>
<u>Idaho</u>	<u>2021</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Illinois</u>	<u>2021</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>6</u>
	<u>2022</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
	<u>2023</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
<u>Indiana</u>	<u>2021</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	<u>2022</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	<u>2023</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
<u>Iowa</u>	<u>2021</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2022</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2023</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
<u>Kentucky</u>	<u>2021</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2022</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>2023</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Louisiana</u>	<u>2021</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2022</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2023</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Maine	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Massachusetts	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	1	5
	2023	5	0	0	0	0	0	5
Michigan	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Missouri	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
New Hampshire	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
New York	2021	8	0	0	0	0	1	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
North Carolina	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
North Dakota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
Oklahoma	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Pennsylvania	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
South Carolina	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
South Dakota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Tennessee	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Texas	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Virginia	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
West Virginia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Wisconsin	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	103	0	0	1	0	4	98
	2022	98	0	0	0	0	3	95
	2023	95	0	0	0	0	0	95

Table No. 4
Status of Company-Owned Outlets
For Years 2020¹ to 2023²

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Illinois	2020	10	0	0	0	0	10
	2021	10	0	0	0	0	10
	2022	10	0	0	0	0	10
Total	2020	10	0	0	0	0	10
	2021	10	0	0	0	0	10
	2022	10	0	0	0	0	10

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Illinois	2021	10	0	0	0	0	10
	2022	10	0	0	0	0	10
	2023	10	0	0	0	0	10
Total	2021	10	0	0	0	0	10
	2022	10	0	0	0	0	10
	2023	10	0	0	0	0	10

Table No. 5
Projected Openings as of December 31, 202~~23~~²⁴

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Florida	0	<u>12</u>	0
Georgia	0	<u>14</u>	0
North Carolina	0	2	0
Ohio	0	2	0
Pennsylvania	0	1	0
South Carolina	0	2	0
Total	0	<u>107</u>	0

Duraclean also has 146 franchises in other countries throughout the world.

The names of all franchisees and the addresses and telephone numbers of all of their outlets in the United States are listed in Exhibit F. There were no franchises reacquired by Duraclean during the past three years.

Attached to the disclosure document as Exhibit G is a list of the name and last known address and telephone number of every franchise who has had an outlet transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within ten weeks of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Duraclean. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. Duraclean hasten company owned franchises.

Duraclean has not created, sponsored or endorsed Franchisee organizations and there are no independent Franchisee associations to the best of its knowledge. (Exhibit H1 & H2)

Item 21

FINANCIAL STATEMENTS

Duraclean's audited Balance Sheet, Statement of Income and Expense, and Statement of Charges in Financial Position as of December 31, 202~~23~~²³, December 31, 202~~22~~²² and December 31, 202~~01~~⁰¹ are in Exhibit B.

Item 22

CONTRACTS

The Duraclean Franchise Agreement and the State Addenda to the Agreement along with Exhibits to the Franchise Agreement is attached as Exhibit A. The Exhibits to the Franchise Agreement include: Exhibit 1- Franchised Territory; Exhibit 2 - Confidentiality/Non-Competition Agreement (*if applicable*); and Exhibit 3 - Guarantee.

Item 23

RECEIPTS

You will find copies of a detachable receipt in Exhibit L at the very end of this disclosure document.



AP 103 EXHIBIT PACKAGE

Exhibits

- A Franchise Agreement and Related Materials
 - State Addenda to Franchise Agreement
 - Exhibits to Franchise Agreement:
 - State Addenda to the Franchise Agreement
 - Exhibit 1 - Franchised Territory
 - Exhibit 2 - Confidentiality/Non-Competition Agreement
 - Exhibit 3 - Guarantee
- B Financial Statements
- C State Administrators
- D Agents for Service of Process
- E *State Addenda to Disclosure Document*
- F List of Franchises
- G List of Former Franchisees
- H1 Franchisee Organizations We Have Created, Sponsored or Endorsed - *Not applicable*
- H2 Independent Franchisee Associations - *Not applicable*
- I *State Effective Dates*
- J Guarantee of Duraclean International, Inc.
- K1 Equipment Packages
- K2 Duraclean Fees and Services Form
- K3 Table of Contents - Manuals
- L Receipt

APPLICATION FOR OWNERSHIP
Of a Duraclean® Flex Franchise
(the Franchise Agreement)

Application is hereby made for the ownership of a Duraclean Franchise. When signed by Duraclean International, Inc., hereinafter referred to as Duraclean, this application becomes your franchise agreement with Duraclean.

The Franchise is a service business for professional water damage restoration and mold remediation along with the cleaning of carpet, upholstery, and HVAC & dryer vent ducts, the “Restoration and Cleaning Franchise”, in both residential and commercial venues. The business is a full time opportunity which may be expanded in the directions you desire at your own pace.

This Franchise Agreement sets forth the teamwork and cooperation working together to locate, service

I. HOW DURACLEAN WORKS WITH YOU TO ESTABLISH YOUR BUSINESS

Transfer of Knowledge

Duraclean, having invested millions of dollars and more than three quarters of a century of time to develop methods to secure customers for you, to render superior services and grow your franchise; will share such knowledge with you.

1. Duraclean will furnish *confidential* Duraclean Training Materials with s explaining how to render each service, how to market customers, how to operate *every phase* of the business. These instructions are clear and complete.

Success InstituteSM

2. Duraclean will provide you with instruction at Duraclean’s *Success Institute* to learn methods of operating your franchise. Instructors are the senior Duraclean executives who will assist in building your franchise. You will develop a step-by-step start up growth plan.

3. You agree to attend the *Success Institute* within two months after signing this Agreement. Duraclean will pay room and board expenses for you, your spouse and partners authorized on the Agreement who are registered in advance and Duraclean will give you one round trip air ticket to Chicago, or pay car mileage allowance at .45¢ per mile up to the value of that air fare. You are responsible for additional expenses during Duraclean’s *Success Institute*.

Initial Shipment

4. Duraclean will provide you with equipment, solutions & supplies, vehicle graphics allowance, personalized printing, marketing materials, business website template including optional hosting and optimization for 6 months and your first year’s subscription for software to operate and grow your service business.

5. Duraclean will make available, via our proprietary “duracleanfranchise.com” website, business building materials such as billboard and digital advertising artwork, full-color ad mailers, various sales folders, full-color postcards, e-mail ready fillable artwork, digital presentations and several important operational forms.

6. Furnish you with an account credit of \$250.00 to be used for the purchase of business building materials imprinted with your franchise name, address and telephone number. This includes envelopes, letterhead and business cards (franchise Agreement Section 1.6)

7. Furnish you with an additional account credit of \$250.00 to be used for the purchase of Duraclean image ware, consisting of shirts, hats, jackets, and pants.

8. Based upon successful experience, Duraclean will advise what forms of marketing and procedures should be most helpful for you.
9. Duraclean will provide you a convenient, personalized, very easily learned Business Management Software system.

II. THE EXCLUSIVE DURACLEAN PROGRAM

Duraclean provides and supervises this Program to build customer confidence and help bring you service jobs. It developed from over ninety-two years of experience and covers services you could not afford on your own.

It has successfully established Duraclean franchises throughout the world for men and women with no previous business experience. As the system evolves, Duraclean reserves the right to add, to modify or delete any of its programs without advance notice.

Exclusive Trademarks

1. Duraclean will authorize you to use Duraclean registered trade names, service marks and trademarks:

Duraclean®
Flower Fresh®
Spotcraft®

Durashield Plus®
Fabricrafter®



Duraclean marks cannot be used in your corporate or limited liability company name. Duraclean will maintain registrations of trade names, service marks and trademarks.

Continuous Training, Education and Support

2. Duraclean will take an active and personal interest in the development and growth of your franchise.
3. Duraclean will maintain an advisory staff of experienced specialists, in all aspects of your business operation including management, marketing and technical topics.
4. ~~Conduct Ongoing Support with Sales Training Seminars, Regional Workshops for Franchise Owners and multi day Annual Meetings so you can exchange ideas by networking with other Duraclean franchise owners, hear expert speakers, get answers to questions and keep up to date on the latest developments in our industry. You are required to attend the Annual Meeting; you pay only your travel and living expense. Duraclean will provide you with equipment, solutions & supplies, vehicle graphics allowance, personalized printing, marketing materials, business website template including optional hosting and optimization for 6 months and your first year's subscription for software to operate and grow your service business.~~
5. Duraclean will provide you with ~~an on going flow of~~ up-to-date information in marketing, management and technical topics.
6. ~~Duraclean will make available a weekly bulletin on the latest technical information, sales and marketing hints and other business building information exclusively for our franchise owners.~~
7. Duraclean maintains experienced, trained personnel ~~who contact and to~~ help you with your service and marketing programs in the field.
7. Duraclean also provides service representatives at Duraclean's headquarters who are responsible

for handling your calls, questions and orders to assure that your requests are responded to promptly and by appropriate personnel.

8. Duraclean will maintain for purchase a complete line of high quality cleaning, deodorizing and disinfecting solutions, specifically formulated for Duraclean.
9. Duraclean maintains an educated staff to aid you with any unusual service situations.
10. Duraclean will maintain both chemical and equipment research and development to improve your services and to aid you on any unusual service situations.
11. Duraclean will provide you with equipment that is free from obvious defects in material and workmanship and will warrant this for a period of six months from the date you receive it. During the six month period mentioned, we will send you replacement parts in exchange for defective parts. Business Builders
12. Duraclean will authorize you to use its copyright protected business-building materials.
13. Duraclean, ~~at low cost through quantity purchasing, will supply~~ make available folders, booklets, letterheads, business cards, vehicle decals, and other customer creating materials that set you apart from local independent cleaners.
14. Duraclean will assist you in preparing marketing plans and local promotions.
15. Duraclean will stay in contact with all aspects of the restoration industry, ~~including: Insurance Companies, Equipment Manufacturers, and Software Developers,~~ to keep you up to date with the latest in industry trends and policy direction.

16. Duraclean recognizes franchise achievement with awards to stimulate franchise growth.

Royalty Decreases with Growth

17. Based on the sales volume of *all services and/or products* sold by you under the Duraclean trade names, service marks, and trademarks in homes, apartments, commercial buildings and other locations, by mail, via the internet or otherwise, you will remit Royalty to Duraclean. Your franchise's share to be reported via e-mail utilizing the Duraclean software reports and to be paid to Duraclean on the 15th day and again on the last day of the month, is \$83 minimum for up to \$500 of revenue produced for each half month plus 8% of sales over \$500 and below \$3000; plus 6% between \$3000 and \$6000; and plus 2% for all sales over \$6000.

The Royalty does not apply during first six months. Six month period begins when this Agreement is signed and reports must be completed for each period regardless of sales amounts.

III. HOW YOU CONDUCT YOUR FRANCHISE

Independent, Reputable Business

1. As owner of this franchise, you are an independent business person. You work when you want, do what you want. You set your own prices, determine your own working hours, select your prospective customers, select and direct your service people, are solely responsible to customers for services performed, and control franchise income and expenses. Under no circumstances shall you and Duraclean be considered joint ventures, partners, joint employers or agent for the other. You are an independent contractor.
2. You will use only the firm name authorized by Duraclean and will hold *confidential* all materials, techniques, and information furnished for exclusive use of Duraclean franchisees. You acknowledge that Duraclean has exclusive rights to trade names, services marks and trademarks and that any use of the Duraclean mark requires Duraclean approval and that all use inures to the benefit of Duraclean.

3. You will pay all business expenses, such as payroll, supplier, insurance, advertising, taxes and duty (if any), when due. You will pay amounts due Duraclean promptly and add 1 1/2% interest per month (but not in excess of the lawful maximum) if late, per schedule furnished by Duraclean. You will also pay any other late charges imposed by Duraclean as well as any charges or expenses incurred by Duraclean arising out of any checks or wire transfers that are dishonored or returned for insufficient funds.

4. You will carry the following insurance coverages at all times with an insurer satisfactory to Duraclean:

a. Worker’s Compensation and Employers Liability as prescribed by law in the state or province in which business is conducted.

8. Comprehensive general liability insurance, including liability and medical expenses, personal and advertising injury, fire legal liability-fire, lightning, or explosion with the following minimum limits:

Liability & Medical Expenses	\$1,000,000
Medical Expenses / each person	\$ 5,000
Personal & Advertising injury	\$1,000,000
Fire Legal Liability	\$ 300,000

Aggregate Limits

Products - Completed Operations	\$2,000,000
General Aggregate	\$2,000,000

9. Automobile liability insurance for both owned and non-owned vehicles with the following minimum limits:

Liability	\$1,000,000
Un-Insured Motorists	\$1,000,000
Under-insured Motorists	\$1,000,000

coverage must be per occurrence or as required by statute.

d. Contractors Pollution Liability Insurance occurrence based, primary and non-contributory with the following minimum limits:

Liability	\$1,000,000	per occurrence
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Duraclean must be named as an additional insured with an appropriate Franchisor additional insured endorsement on each insurance policy. You will furnish Duraclean with proof of coverage upon request.

You agree to indemnify, defend and hold harmless Duraclean from any and all claims and liabilities made or assessed against Duraclean arising, directly or indirectly, from or out of the operation by you of your Duraclean franchise and for all costs in defending against any such claims or liabilities, including, without limitation, reasonable attorney’s fees.

Develop Business

5. You will make every effort to develop satisfied Duraclean customers for your service business and not directly or indirectly engage in, support or work for any non-Duraclean business offering services competitive to those of Duraclean.

6. You may operate and develop your franchise using Duraclean advertising, promotional and mailing programs as specified in the Instruction Material to build this franchise.

Primary Marketing Area

7. In order to give you the maximum opportunity to build your Duraclean business, a jointly determined protected marketing area, called a Primary Marketing Area, will be established and assigned to you by Duraclean. Within this Area, you may operate your business from a single Operating Address at which you will locate as many service crews, sales people and vehicles as desired. To establish the Primary Marketing

Area a number of factors will be taken into account, such as; population of the area, number of residential households by income strata, potential for commercial business, etc. Duraclean reserves the right to establish revenue stipulations. You will concentrate your business acquiring and servicing efforts in the Area, which need not necessarily be the city in which you live. Advertising, including websites and social media, extending beyond your PMA must indicate the Area serviced by your franchise. If the Area is not where you live, you must maintain a telephone and an address (P.O. Box will qualify) within the Area for customer contact purposes. The Area and the Address may be changed by mutual agreement.

When possible, the Primary Marketing Area is designed for just one Franchise. The Primary Marketing Area is nonexclusive; you will not receive an exclusive territory however, Duraclean will not establish additional franchises in an Area where it believes the existing franchise owner(s) have adequate Duraclean customers or have a marketing plan with Duraclean in place to service the Area.

Maintain Duraclean Standards of Superiority

8. You will give your customers honest and courteous service. You will attain and maintain Duraclean certification for the services you perform. You will adhere to the highest standards of honesty, integrity, fair dealing and conduct in operating your business. You will not engage in any business or advertising practice which might injure Duraclean's business or the goodwill associated with the Duraclean marks or the Duraclean system.

9. You will use only Duraclean approved methods, equipment, chemicals, materials, uniforms, vehicle signage and standards, as specified in the Duraclean Imaging Standards and other Duraclean Instruction Manuals, so as to maintain the worldwide reputation of Duraclean for uniformly high standards, fabric safety, and superior service which Duraclean advertising promises to your customer. You will display Duraclean's approved colors, decals and/or sign designs on all business vehicles.

10. You agree to purchase a minimum of \$1,250 in Duraclean chemical concentrates and solutions, equipment, supplies, marketing material and parts (excluding software, royalty, service charges, postage, freight, handling and labor) each calendar year starting on January 1 of the calendar year following date Agreement is accepted. Any shortfall will be billed to you after year end. This assures franchisees in system that all franchisees use products which meet Duraclean's specifications to maintain high standards for quality, safety to fibers and fabrics, colors, and performance.

11. Duraclean representatives may visit you at any reasonable time to determine that equipment, vehicles, place of business, signs and advertising are in keeping with Duraclean standards as specified in the Duraclean Instruction Materials and this Agreement. Representatives may audit business records, reports, tax returns, bank statements and make or request copies of records. You agree to preserve business records in accordance with generally accepted accounting principles for seven years and provide them to Duraclean upon request.

12. You will report all services performed through Duraclean's software program. Required reports with all necessary information including full customer name, address, telephone number, invoice number and invoice date will be transmitted to Duraclean electronically.

IV. PAYMENT FOR FRANCHISE

The *Basic Restoration Franchise* is \$89,500: all applicants pay a lump sum payment of \$89,500. which includes the Franchise Fee, training at Duraclean headquarters, restoration and cleaning equipment, solutions & supplies, vehicle graphics, printing, business website template including optional hosting and optimization for 6 months and the first year subscription to Duraclean's web based computer software.

All Duraclean prices are in United States dollars. Add taxes and shipping to above payment where applicable.

Market expansion with optional profit centers is up to you. If you wish you may include additional services when you establish your franchise. Just ask for equipment, chemical and business-building prices.

V. RESALE PRIVILEGE

You may sell your franchise at any time (because of retirement, moving, illness or any other reason) to anyone acceptable to Duraclean provided you are in full compliance with this Agreement and a transfer agreement which may contain different terms and conditions including the then current fees and charges is signed & approved.. You receive entire proceeds from sales less the then current Transfer and Training fee. *Refer to Fees and Services form.* Neither this Agreement, the assets relating to the Duraclean Franchise, the Franchise or any interest in any corporation, partnership, limited liability company or other entity that may own the Franchise, may be transferred without Duraclean's prior written approval, and any such transfer shall constitute a breach of this Agreement and will be null and void and of no effect. The franchised business as a whole must be transferred to the new owner and you cannot sell any Duraclean rights, products, customer lists or item separate from the sale of the Franchise.

VI. FRANCHISE TERM AND RENEWAL

1. This Agreement is for five (5) years. Provided you are in compliance with this Agreement, you may renew it for additional five (5) year periods subject to adjustments by Duraclean to reflect Duraclean's franchise programs, standards, policies and pricing at the time of each such renewal, at no charge to you.
2. You may terminate this Agreement upon 120 days written notice to Duraclean of your intention to terminate.
3. You give Duraclean the right at its option to purchase your franchise from you on mutually agreeable terms once written notice of termination is given to Duraclean as provided above. You also give Duraclean a 30 day right of first refusal on the sale of your franchise to a third party. Duraclean may elect, but is not required to purchase your business within 30 days from the receipt of notice on the same terms and conditions as those offered by a third party.
4. Duraclean may terminate this Agreement if you do not comply with any provision of this Agreement and fail to correct any such failure to comply within thirty (30) days of written notice to you. Duraclean also has the right to immediately terminate this Agreement upon written notice to you in the event: you or any of your owners are convicted of a felony or any other criminal conduct which adversely affects the operation of the business; you repeatedly breach this Agreement even if such breaches are subsequently cured; you or any of your owners engage in conduct which reflects materially and unfavorably on the Duraclean system; you or your owners make an unauthorized sale or transfer of your business or the franchise; you abandon the business; or you become insolvent or unable to pay creditors promptly.
5. If this Agreement is terminated or not renewed for any reason, to protect the Duraclean system, you will promptly return all Duraclean confidential trade secret information, Duraclean software system, including all Instruction Materials, to Duraclean prepaid and remit all amounts owed Duraclean based upon most recent renewal Agreement. You will sell Duraclean patented equipment to another authorized Duraclean franchisee or to Duraclean at the then current fair market value considering age and condition. You will remit Royalty payments and interest per month until all these actions are completed, including receipt of equipment by another franchisee or Duraclean.
6. Also, if this Agreement is terminated or not renewed for any reason, to protect the Duraclean system, you will immediately stop using the Duraclean name, trade and service marks, service equipment, copyrighted materials, advertisements, business cards, vehicle identification, websites, social media and uniforms and cease referencing any association with Duraclean and remove any reference to the Duraclean

name in your corporate or business name. You will turn over to Duraclean or purchaser of franchise the rights to and names, addresses and complete records of all customers and, for two years thereafter, you will not directly or indirectly engage in, support or work for any business operating in your Primary Marketing Area which offers services similar to those previously offered by you to your Duraclean customers. The two year period begins when Agreement is terminated or non-renewed, or if later, the date upon which you comply with this covenant. You will have all of your business telephones disconnected without referral unless the referral is to another Duraclean franchisee. You authorize Duraclean to make such telephone change in your behalf by signing a Letter of Agency assigning the telephone number(s) and you agree to hold the telephone company harmless for such action. You will compensate Duraclean for refusal to take any of the actions in this Section or in Section 5 above by paying Duraclean \$100 per day as liquidated damages until such date actions are fully taken.

VII. UNDERSTANDING WITH DURACLEAN

1. You acknowledge that neither Duraclean nor anyone on behalf of Duraclean has made any promises or inducements, orally or otherwise, regarding the content or subject matter of this Agreement which are not contained herein. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the franchise disclosure document. Only the signature hereto of a Duraclean executive binds Duraclean.
2. This Agreement and the parties' relations hereunder will be governed by and construed in accordance with the laws of the State of Illinois except for the non-competition provisions of this Agreement which will be governed by the law of the state in which you reside.
3. Except for monies due and owing under this Agreement (which the claimant may elect to bring in a judicial forum) all controversies, claims or disputes arising under this Agreement or out of the relationship of the parties will be resolved through arbitration administered by the American Arbitration Association. The arbitration proceeding shall be conducted before a single arbitrator in Chicago, Illinois in accordance with the then current commercial arbitration rules of the American Arbitration Association. Notwithstanding anything to the contrary contained in this Section, the parties shall have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief, from a court of competent jurisdiction; provided, however, the party seeking such relief must contemporaneously submit the dispute for arbitration on the merits as provided herein. Judgment on the arbitrator's award may be entered by any court of competent jurisdiction.
4. Any action arising out of or relating to this Agreement which is not required to be arbitrated or as to which arbitration is waived shall be commenced, litigated and conducted only in a state or federal court in Cook County, Illinois. You irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such courts. You further irrevocably agree not to argue that Illinois is an inconvenient forum or to request transfer of any such action to any court.
5. You agree to reimburse Duraclean for all costs and expense it incurs enforcing the terms of this Agreement, including, without limitation, its reasonable attorney's fees.
6. Duraclean will help you to develop your latent and natural abilities...and will help you direct your talents to bring maximum growth to this franchise.
7. Duraclean verifies that this business has been easily learned by inexperienced beginning franchisees and their service people.
8. Duraclean verifies that franchisees throughout the world are rendering highly satisfactory service.

Certification

State of: _____)
) s.s.:
County of: _____)

On this ____ day of _____, 20____, before me, the undersigned notary public appeared _____, proved to me through satisfactory evidence of identification, which were _____, to be the person who signed on the preceding or attached document in my presence.

_____, Notary Public
Print Name
My Commission Expires: _____

[SEAL]

Ownership Appointment

You will receive a copy of this Franchise Agreement signed by Duraclean which is your official Duraclean Franchise Agreement.

The authorized firm name/Tradestyle for your franchise is:

The authorized domain name or web site address for your franchise is:

The Primary Marketing Area for your franchise is:

The Operating Address for your franchise is:

Franchise No. _____

Signed at Arlington Heights, Illinois U.S.A. on _____ which is the effective date of this Agreement.

Duraclean International, Inc. by _____ title _____

Attest _____
Assistant Secretary

(Corporate Seal)

ADDENDUM

To Duraclean International, Inc.

Franchise Agreement

REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchise Act, the Application for Ownership (the Agreement) of Duraclean International, Inc. shall be modified as follows and include the following language:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 day notice of termination (with 60 days to cure) and 180 day notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

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

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

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

IN WITNESS WHEREOF, the parties hereto have executed and delivered this ADDENDUM on the day and year first written.

Franchisee

Signed individually and/or as an officer or partner of the franchise _____
date

Franchisor

by _____
title _____
date

Franchised Territory

When possible, the Primary Marketing Area is designed for just one Franchise. The Primary Marketing Area is nonexclusive; you will not receive an exclusive territory however, Duraclean will not establish additional franchises in an Area where it believes the existing franchise owner(s) have adequate Duraclean customers or have a marketing plan with Duraclean in place to service the Area.

When a territory has been agreed upon you will be asked to sign a Primary Marketing Area letter which will include the following language:

The purpose of this letter is to define your Primary Marketing Area:

PMA – the physical territory may be described by county or city boundaries and may be shared by other Franchises on a non-exclusive basis. Revenue stipulations may be agreed upon.

Duraclean recognizes that you, as well as other franchises, may, from time to time, receive occasional business from outside your Primary Marketing Area, as a result of referrals and recommendations from satisfied customers. However, as covered in Section II.8 of your Agreement, the Primary Marketing Area is where you will be devoting all your business sales and promotional efforts including: having an office with a street address and a telephone listing; yellow page and classified newspaper advertising; direct mailings; penny savers, Val-Pacs, etc.; telephone solicitation and direct sales representation. In consideration of the above conditions, it is assumed that you will actively market your Duraclean Franchise. This marketing will be in a reasonable and professional manner to increase your overall customer base.

If you advertise in media, including websites, Google Business accounts, social media, etc., that may extend beyond your Primary Market Area you must include language explaining the approved area to be serviced by your franchise.

Please sign, date and return this letter. The second copy should also be signed and is for your files.

This will become your territory Agreement. You may expand and/or alter your territory by agreement with Duraclean. At such time a new letter will be executed and the then current Territory Expansion Fee will apply.

Confidentiality/Non-Competition Agreement

Information regarding confidentiality and/or non-competition is included in the Franchise Agreement.

You are not required to execute a separate Confidentiality / Non-Competition Agreement.

Duraclean®

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of

_____, _____, by _____

In consideration of, and as an inducement to, the execution of that certain Application for Appointment As Owner of A Duraclean Service Business of even date herewith (the "Agreement") by Duraclean International, Inc. ("Duraclean"), each of the undersigned hereby personally and unconditionally (a) guarantees to Duraclean, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that,

("Franchise") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each of the undersigned waives: (1) acceptance and notice of acceptance by Duraclean of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Franchise or any other person as condition of liability; and (5) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchise fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Duraclean of any remedies against Franchise or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Duraclean may from time to time grant to Franchise or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S) SIGNATURE(S)	SOCIAL SECURITY NUMBER(S)	PERCENTAGE OF FRANCHISE OWNERSHIP
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %
_____	_____	_____ %

Exhibit B

Audited Financial Statements

Years Ending 12/31/2023 – 12/31/2022 – 12/31/2021

DURACLEAN INTERNATIONAL, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022, 2021, AND 2020

DURACLEAN INTERNATIONAL, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022, 2021, AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Stockholders of
 Duraclean International,
 Inc. 220 Campus Drive
 Arlington Heights, IL
 60004

Qualified Opinion

We have audited the accompanying financial statements of Duraclean International, Inc., which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not including certain lease obligations in assets and liabilities, as described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Duraclean International, Inc. as of December 31, 2022, 2021, and 2020, 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 Qualified Opinion

As more fully described in Note G, the Company's financial statements don't reflect lease assets and lease liabilities on the balance sheet for those leases classified as operating leases, and certain financial statement disclosures required by ASU 2016-02, Leases (Topic 842). This does not conform with accounting principles generally accepted in the United States of America. Quantification of the effects of that departure from U.S. generally accepted accounting principles on the financial statements of Duraclean International, Inc. is not practicable.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Duraclean International, Inc. to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Duraclean International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 from 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 a 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 Duraclean International, 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 Duraclean International, 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.~~

~~PORTE BROWN LLC~~

~~Certified Public Accountants~~

A handwritten signature in blue ink that reads "Porte Brown LLC". The signature is written in a cursive, flowing style and is positioned above a horizontal blue line.

~~Elk Grove Village, Illinois~~

~~March 10, 2023~~

DURACLEAN INTERNATIONAL, INC

BALANCE SHEETS

DECEMBER 31, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 237,565	\$ 157,494	\$ 186,587
Accounts receivable, net	93,298	289,515	75,060
Installment notes—current portion	7,208	8,681	22,813
Inventory	22,765	21,716	51,890
Equipment, parts, and supplies	(920)	(5,854)	(36,833)
Less: Reserve for inventory obsolescence	21,845	15,862	15,057
Inventory, net	41,758	11,047	607
Prepaid expenses	401,674	482,599	300,124
	<u>522,702</u>	<u>481,365</u>	<u>453,098</u>
FIXED ASSETS			
Property and equipment	(392,429)	(351,204)	(333,297)
Less: Accumulated depreciation	<u>130,273</u>	<u>130,161</u>	<u>119,801</u>
OTHER ASSETS			
Installment notes, (net of current portion included above)	2,140	9,713	17,487
Deposits on treasury stock repurchase agreement	17,460	17,416	17,196
Security deposits	12,239	12,239	12,239
Goodwill, net	68,578	68,578	68,578
	<u>100,417</u>	<u>107,946</u>	<u>115,500</u>
TOTAL ASSETS	<u>\$ 632,364</u>	<u>\$ 720,706</u>	<u>\$ 535,425</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Line of credit	\$ 5,000	\$ —	\$ 6,400
Accounts payable	39,089	72,150	120,247
Current portion of long term debt	14,250	39,823	40,023
Customer deposits	—	—	16,000
Accrued expenses	10,663	9,474	8,718
	<u>69,002</u>	<u>121,447</u>	<u>191,388</u>
LONG-TERM DEBT			
Long term debt (net of current portion included above)	29,702	44,589	66,297
STOCKHOLDERS' EQUITY			
Common stock, Class V, \$100 par value; \$100,000	487,500	455,000	422,500
Less: Treasury stock	(97,500)	(65,000)	(32,500)
Additional paid-in capital	1,153,883	1,153,883	1,153,883
Retained deficit	(1,010,223)	(989,213)	(1,266,143)
	<u>533,660</u>	<u>554,670</u>	<u>277,740</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 632,364</u>	<u>\$ 720,706</u>	<u>\$ 535,425</u>

DURACLEAN INTERNATIONAL, INC

BALANCE SHEETS

~~FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020~~

	2022	2021	2020
CONTRACT REVENUES	\$ 1,410,485	\$ 1,709,895	\$ 1,601,282
COST OF REVENUES	427,764	434,659	535,742
GROSS PROFIT	982,721	1,275,236	1,065,540
OPERATING EXPENSES			
Franchise development, training, and assistance	124,040	144,214	128,295
Selling	17,135	31,665	21,722
General and administrative	758,387	748,192	775,259
	899,562	924,071	925,276
INCOME FROM OPERATIONS	83,159	351,165	140,264
OTHER INCOME (EXPENSE)			
Gain on sale of fixed assets	-	4,450	-
Gain on extinguishment of debt	-	-	112,973
Stock bonus	(23,221)	(22,061)	(24,242)
Bad debt expense	-	(9,870)	(8,320)
Interest	(9,491)	(15,015)	(20,321)
	(32,712)	(42,496)	60,090
NET INCOME	<u>\$ 50,447</u>	<u>\$ 308,669</u>	<u>\$ 200,354</u>

DURACLEAN INTERNATIONAL, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

	<u>Common Stock</u>		<u>Treasury</u>	<u>Additional</u>	<u>Retained</u>	
	<u>Shares (1)</u>	<u>Amount</u>	<u>Stock</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Total</u>
Balance, December 31, 2019	3,910	\$ 390,000	\$ (18,181)	\$ 1,153,883	\$ (1,458,442)	\$ 67,260
Issuance of common stock	325	32,500		(8,908)	-	23,592
Purchase of treasury stock			(14,319)	8,908	-	(5,411)
Distributions to stockholders			-	-	(8,055)	(8,055)
Net income					200,354	200,354
Balance, December 31, 2020	4,235	422,500	(32,500)	1,153,883	(1,266,143)	277,740
Issuance of common stock	325	32,500	-	(9,279)	-	23,221
Purchase of treasury stock			(32,500)	9,279	-	(23,221)
Distributions to stockholders			-	-	(31,739)	(31,739)
Net income					308,669	308,669
Balance, December 31, 2021	4,560	455,000	(65,000)	1,153,883	(989,213)	554,670
Issuance of common stock	325	32,500	-	(9,220)	-	23,280
Purchase of treasury stock			(32,500)	9,220	-	(23,280)
Distributions to stockholders			-	-	(71,457)	(71,457)
Net income					50,447	50,447
Balance, December 31, 2022	<u>4,885</u>	<u>\$ 487,500</u>	<u>\$ (97,500)</u>	<u>\$ 1,153,883</u>	<u>\$ (1,010,223)</u>	<u>\$ 533,660</u>

(1) Class V, \$100 par value, 23,000 shares authorized, 4,885 shares issued, 3,910 outstanding

DURACLEAN INTERNATIONAL, INC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES			
Net income	\$ 50,447	\$ 308,669	\$ 200,354
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	41,226	33,549	26,551
Gain on sale of fixed assets	-	(4,450)	-
Gain on extinguishment of debt	-	-	(112,973)
Changes in:			
Accounts receivable, net	196,217	(214,155)	41,531
Installment notes	9,046	21,906	18,489
Inventory, net	(5,983)	(805)	33,305
Prepaid expenses	(30,711)	(10,440)	5,329
Accounts payable	(33,061)	(48,097)	(79,062)
Customer deposits	-	(16,000)	16,000
Accrued expenses	1,189	756	(15,788)
Net cash provided by operating activities	<u>228,370</u>	<u>70,633</u>	<u>133,736</u>
INVESTING ACTIVITIES			
Proceeds from sale of fixed assets	-	4,450	-
Purchase of fixed assets	(41,338)	(43,909)	(29,352)
Net cash used by investing activities	<u>(41,338)</u>	<u>(39,459)</u>	<u>(29,352)</u>
FINANCING ACTIVITIES			
Proceeds from (Repayment of) line of credit, net	5,000	(6,400)	(10,600)
Proceeds from Paycheck Protection Program	-	-	112,973
Repayment of long term debt	(40,460)	(21,908)	(44,140)
Deposits on treasury stock repurchase agreement	(44)	(220)	(17,196)
Purchase of treasury stock	(23,280)	(23,221)	(5,411)
Issuance of common stock	23,280	23,221	23,592
Distributions to stockholders	(71,457)	(31,739)	(8,055)
Net cash (used) provided by financing activities	<u>(106,961)</u>	<u>(60,267)</u>	<u>51,163</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>80,071</u>	<u>(29,093)</u>	<u>155,547</u>
BEGINNING CASH AND CASH EQUIVALENTS	<u>157,494</u>	<u>186,587</u>	<u>31,040</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 237,565</u>	<u>\$ 157,494</u>	<u>\$ 186,587</u>
SUPPLEMENTAL INFORMATION TO CASH FLOWS			
Cash paid during the year for:			
Income taxes	\$ -	\$ -	\$ -
Interest	9,491	15,015	20,321
Non cash investing and financing activities:			
Long term debt incurred for purchase of fixed assets			74,959
Forgiveness of debt — Paycheck Protection Program			112,973

NOTE A — NATURE OF OPERATIONS

DuraClean International, Inc. (the “Company”) is primarily engaged in the sale and support of cleaning franchises throughout the United States of America and internationally. Major sources of revenue come from the sale of franchises, franchise royalties and equipment/supplies sales. The Company also operates a company owned franchise in the Chicago area.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

USE OF ESTIMATES

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

REVENUE RECOGNITION

The Company is engaged in the sale and support of cleaning franchises throughout the United States and internationally. These contracts are fixed price contracts each negotiated separately with the customer. The franchise agreement contains multiple performance obligations. The initial franchise fee is allocated to these performance obligations, which include the provision of training and support services, equipment and product, and the franchise fee license. The timing of the satisfaction of the service and product performance obligations is at the opening of the franchisee’s operations, and, accordingly, initial franchise fees are recognized at the opening of the franchisee’s operations. The timing of the satisfaction of the franchise fee royalties is over the term of the related agreement, and these franchise fee royalty revenues are recognized primarily on a bi-monthly basis, from reports received from franchisees shortly after period end. Reports and payments are due within seven days after each bi-monthly period. Estimates are utilized in certain instances when actual numbers have not been received. Revenue from franchise fees can be impacted by the number of new franchises, the overall number of franchises, and franchisees’ revenues.

The Company also operates a company owned franchise providing cleaning and restoration services in the Chicago area. These contracts are fixed price contracts each negotiated separately with the customers. Service jobs are short term in nature, ranging from several hours to several weeks. The performance obligation is satisfied upon completion of the job, and revenue is recognized at that time. Payment is typically due upon receipt of the invoice. Each of these sales contracts consists of a single performance obligation to deliver cleaning or restoration services. Thus, the transaction price is not required to be allocated to multiple performance obligations. Control of the services is transferred to the customer upon their approval of the services. Revenue from services can be impacted by general economic conditions, relationships with third party administrators for insurance companies, and the size of the jobs.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

The Company is engaged in the sale of cleaning equipment and supplies. These contracts are fixed price contracts each negotiated separately with the customer. These products are primarily sold to its franchisees. Revenues are recognized at a point in time when control of the products are transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the product. Product sales have contractual payment terms of net 30 days. Each of these sales contracts consists of a single performance obligation to deliver a specified number of products to the customer. Thus, the transaction price is not required to be allocated to multiple performance obligations. The timing of the satisfaction of the performance obligation is at the point in time when the control of the product is transferred to the customer. The Company considered several factors in determining that control transfers to the customer upon shipment of retail and wholesale products. These factors include that legal title transfers to the customer, the Company has a present right to payment, and the customer has assumed the risks and rewards of ownership at the time of shipment. Historically, returns have been negligible and, consequently, the transaction price of plastics injection molded gears is not considered to contain an element of variable consideration. Returns are recognized when they occur. Revenue from sale of product can be impacted by the number of new franchises and demand for product by the franchisees.

Revenues are recognized when control of these products or services are transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. Shipping and handling fees charged to customers are reported within revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of revenues. Incidental items that are immaterial in the context of the Company's contracts are recognized as expense. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year. Sales and similar taxes that are imposed on sales and collected from customers are excluded from revenue.

The following table disaggregates the Company's revenue based on the timing or satisfaction of performance obligations for the years ended December 31, 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Performance obligations satisfied over time	\$ 684,458	\$ 727,656	\$ 722,784
Performance obligations satisfied at a point in time	<u>726,027</u>	<u>982,239</u>	<u>878,498</u>
	<u><u>-\$ 1,410,485</u></u>	<u><u>-\$ 1,709,895</u></u>	<u><u>-\$ 1,601,282</u></u>

Revenue from performance obligations satisfied over time include franchise fee royalty revenues. Revenue from performance obligations satisfied at a point in time include initial franchise fees, equipment and product sales, and service revenues.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

The allocation of the performance obligations associated with the initial franchise fee is follows:

Training, marketing and other support services	\$ 25,300
Equipment	31,500
Products and supplies	<u>2,700</u>
	<u>\$ 59,500</u>

The beginning and ending balances of contract assets and liabilities from contracts with customers are as follows as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts Receivable, net	\$ 93,298	\$ 289,515	\$ 75,060	\$ 116,591
Contract Assets	9,348	18,394	40,300	58,789
Contract Liabilities	-	-	16,000	-

Contract assets consist of installment notes receivable. The Company, may, from time to time, offer to finance its franchisees' accounts receivable debt when franchisees have accumulated large outstanding accounts receivable balances. Contract liabilities consist of customer deposits.

No impairment losses were incurred in 2022, 2021, or 2020 with respect to contract assets arising from contracts with customers.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

At times during the year, the Company may have cash and cash equivalents in excess of federally insured limits of \$250,000 at one banking institution. These amounts potentially subject the Company to credit risk if the banking institution fails. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS RECEIVABLE

Accounts and installment notes receivable are stated at the amount management expects to collect from outstanding balances. Installment notes receivable from franchisees, are generally unsecured with various interest rates and terms of one to four years. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or notes receivable. As of December 31, 2022, 2021, and 2020, management has recorded an allowance of doubtful accounts of \$2,000, \$6,086, and \$6,086, respectively.

INVENTORY

Inventory, consisting of supply inventory, is stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis.

Inventory consists of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Inventory, net	\$ 22,765	\$ 21,716	\$ 51,890
Reserve for inventory obsolescence	<u>(920)</u>	<u>(5,854)</u>	<u>(36,833)</u>
	<u>\$ 21,845</u>	<u>\$ 15,862</u>	<u>\$ 15,057</u>

FIXED ASSETS

Fixed assets are stated at cost. Depreciation is calculated on a straight line basis over the estimated lives of the related assets. The Company has adopted a policy to capitalize assets using a \$1,000 threshold.

Major classifications of property and equipment and their respective lives are summarized below:

	<u>Lives in Years</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Leasehold improvements	39	\$ 10,454	\$ 10,454	\$ 6,859
Equipment and furniture	5-7	324,148	282,811	258,139
Vehicles	5	<u>188,100</u>	<u>188,100</u>	<u>188,100</u>
		<u>\$ 522,702</u>	<u>\$ 481,365</u>	<u>\$ 453,098</u>

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CARRYING VALUE OF LONG LIVED ASSETS

In the event that facts and circumstances indicate that the Company's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The Company considers that no circumstances currently exist that would require such an evaluation.

GOODWILL

Goodwill represents an acquired company's acquisition cost less the fair value of assets. Goodwill is assigned to specific reporting units and is reviewed for possible impairment upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill.

The fair value of the reporting unit is estimated on the present value of expected future cash flows. Management has determined that goodwill of \$68,578 was not impaired for the year ended December 31, 2022. No triggering event occurred during the year ended December 31, 2022 that required goodwill impairment testing and, accordingly, no impairment loss was recorded in 2022.

For tax purposes, goodwill continues to be amortized over 15 years resulting in a \$4,572 deduction on the 2022 tax return.

INCOME TAXES

There is no provision for federal corporate income taxes because the stockholders have elected to pay these taxes in accordance with S Corporation rules of the Internal Revenue Code. A provision for state replacement tax has not been made due to the availability of state net operating loss carryforwards.

The Company has adopted the provision of ASC Topic 740, Income Taxes, relating to the accounting for uncertainty in income taxes. The Company files income tax returns in the U.S. federal jurisdiction, and various states. Management is not aware of any uncertain tax positions.

ADVERTISING

The Company expenses advertising costs as incurred. Total advertising expense for December 31, 2022, 2021, and 2020 was \$3,725, \$12,924, and \$7,321, respectively.

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NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECLASSIFICATIONS

~~Reclassifications occurred to certain prior year amounts in order to conform with the current year classifications. The reclassifications have no effect on reported net income.~~

SUBSEQUENT EVENTS

~~The Company has evaluated subsequent events through March 10, 2023, the date which the financial statements were available to be issued~~

NOTE C — BANK LOAN PAYABLE

~~The Company has an open line of credit with Bank of America due August 30, 2023. Interest is payable at the bank's prime rate plus 1.75%. As of December 31, 2022, 2021, and 2020, the effective interest rates are 9.25%, 5.00%, and 5.00%, respectively. The Company has an additional \$95,000 available on the line of credit at December 31, 2022. The loan is collateralized by substantially all assets of the Company. The loan is personally guaranteed by the stockholders. All principal and interest payments are made by the Company. As of December 31, 2022, 2021, and 2020, the Company had balances due of \$5,000, \$0, and \$6,400, respectively.~~

NOTE D — LONG TERM DEBT

Long term debt consists of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
An installment loan payable \$838 per month, principal and interest at 7.99%, maturing September 2025. The loan is collateralized by transportation equipment.	\$ 24,127	\$ 31,919	\$ 39,114
An installment loan payable \$591 per month, principal and interest at 7.44%, maturing February 2026. The loan is collateralized by transportation equipment.	19,825	25,222	30,233
An installment loan payable \$748 per month, principal and interest at 8.45%, maturing January 2023. The loan is collateralized by transportation equipment.	-	9,160	16,991

NOTE D — LONG-TERM DEBT (Continued)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
A note payable to a former franchisee for the acquisition of the franchise operations. Payments are variable based on revenues the Company generates from the franchise's former customers.	<u>43,952</u>	<u>18,111</u>	<u>19,982</u>
	43,952	84,412	106,320
Less current portion	<u>(14,250)</u>	<u>(39,823)</u>	<u>(40,023)</u>
Long term portion	<u>\$ 29,702</u>	<u>\$ 44,589</u>	<u>\$ 66,297</u>

The total debt maturing in years subsequent to December 31, 2022 is as follows:

Year ending December 31

2023	\$ 14,250
2024	15,397
2025	13,295
2026	<u>1,010</u>
	<u>\$ 43,952</u>

NOTE E — FRANCHISE FEE REVENUES

Gross revenues include franchise royalty fee revenues of \$697,743, \$716,319, and \$714,483 for the years ended December 31, 2022, 2021, and 2020, respectively. Initial franchise fees totaled \$0, \$0, and \$52,500 for the years ended December 31, 2022, 2021, and 2020, respectively and include existing franchises who have transferred ownership.

Gross revenues include equipment and product sales revenue of \$112,090, \$131,941, and \$223,412 for the years ended December 31, 2022, 2021, and 2020, respectively. Sales related to a franchisor owned operation totaled \$591,167, \$860,559, and \$612,387 for the years ended December 31, 2022, 2021, and 2020, respectively.

NOTE F — RETIREMENT PLAN

The Company maintains a qualified retirement plan that allows for voluntary employee contributions from 2% to 15% of compensation. The Company's discretionary matching contribution is a maximum of 2% of an employee's compensation. The Company did not make a matching contribution for the years ended December 31, 2022, 2021, and 2020.

NOTE G — LEASE COMMITMENTS

The Company recognizes rent expense in amounts equal to the actual rent payments required by its lease agreement rather than recognizing rent expense using the straight line method over the term of the lease and has not recorded a lease liability or right of use asset on the balance sheet. This method of recognizing rent expense and the absence of recording a lease liability and asset is a departure from accounting principles generally accepted in the United States of America. Total rent expense, including common area maintenance fees, was \$124,365, \$99,571, and \$120,840 for the years ended December 31, 2022, 2021, and 2020, respectively.

Future minimum lease payments for the above operating lease are as follows:

Year ending December 31,

2024	\$ 103,785
2025	<u>61,688</u>
	<u>\$ 165,473</u>

NOTE H — TREASURY STOCK

In February 2019, the stockholders proposed the Company repurchase 1,950 shares of common stock from a principal stockholder. In 2020, 2021 and 2022, the Company completed the repurchase of 325 shares each year at an aggregate cost of \$23,280 a year. Additionally, the Company paid \$17,460 in deposits towards the repurchase of an additional 325 shares to be completed approximately March 2023. These treasury stock shares may be cancelled upon the Board of Directors approval.

NOTE I — PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for December 31, 2022 have been restated to correct an error in recording the stock purchase made in 2021 and to correct the 2021 tax accrual. The effect of the restatement was to decrease “deposits — long term” by \$22,061, decrease “prepaid expenses” by \$11,899, increase “distribution to stockholders” by \$12,097, decrease “general and administrative expenses” by \$198 and record another expense for “stock bonus” of \$22,061 for the year ended December 31, 2021. The net effect was a decrease to net income of \$21,863 for the year ended December 31, 2021.

DURACLEAN INTERNATIONAL, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023, 2022, AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Duraclean International,
Inc. 220 Campus Drive
Arlington Heights, IL
60004

Qualified Opinion

We have audited the accompanying financial statements of Duraclean International, Inc., which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not including certain lease obligations in assets and liabilities, as described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Duraclean International, Inc. as of December 31, 2023, 2022, and 2021, 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 Qualified Opinion

As more fully described in Note G, the Company's financial statements don't reflect lease assets and lease liabilities on the balance sheet for those leases classified as operating leases, and certain financial statement disclosures required by ASU 2016-02, Leases (Topic 842). This does not conform with accounting principles generally accepted in the United States of America. Quantification of the effects of that departure from U.S. generally accepted accounting principles on the financial statements of Duraclean International, Inc. is not practicable.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Duraclean International, Inc. to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Duraclean International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' 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 auditors' 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 from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Duraclean International, 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 Duraclean International, 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.

PORTE BROWN LLC
Certified Public Accountants



Elk Grove Village, Illinois
February 29, 2024

DURACLEAN INTERNATIONAL,

BALANCE SHEETS

DECEMBER 31, 2023, 2022, AND 2021

	2023	2022	2021
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	\$ 160,545	\$ 237,565	\$ 157,494
Accounts receivable, net	125,785	93,298	289,515
Installment notes - current portion Inventory Equipment, parts, and supplies	9,761	7,208	8,681
	<u>52,232</u>	<u>22,765</u>	<u>21,716</u>
Less: Reserve for inventory obsolescence	(1,826)	(920)	(5,854)
Inventory, net	50,406	21,845	15,862
Prepaid expenses	26,222	41,758	11,047
	<u>372,719</u>	<u>401,674</u>	<u>482,599</u>
<u>FIXED ASSETS</u>			
Property and equipment	560,479	522,702	481,365
Less: Accumulated depreciation	(363,349)	(392,429)	(351,204)
	<u>197,130</u>	<u>130,273</u>	<u>130,161</u>
<u>OTHER ASSETS</u>			
Installment notes, (net of current portion included above)	5,187	2,140	9,713
Deposits on treasury stock repurchase agreement	17,177	17,460	17,416
Security deposits	12,239	12,239	12,239
Goodwill, net	68,578	68,578	68,578
	<u>103,181</u>	<u>100,417</u>	<u>107,946</u>
TOTAL ASSETS	<u>\$ 673,030</u>	<u>\$ 632,364</u>	<u>\$ 720,706</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Line of credit	\$ -	\$ 5,000	\$ -
Accounts payable	61,340	39,089	72,150
Current portion of long-term debt	35,939	14,250	39,823
Deferred revenue	10,000	-	-
Distributions payable	7,237	-	-
Accrued expenses	7,678	10,663	9,474
	<u>122,194</u>	<u>69,002</u>	<u>121,447</u>
<u>LONG-TERM DEBT</u>			
Long-term debt (net of current portion included above)	136,116	29,702	44,589
<u>STOCKHOLDERS' EQUITY</u>			
Common stock, Class V, \$100 par value; \$100,000	520,000	487,500	455,000
Less: Treasury stock	(325,000)	(97,500)	(65,000)
Additional paid-in capital	1,211,668	1,153,883	1,153,883
Retained deficit	(991,948)	(1,010,223)	(989,213)
	<u>414,720</u>	<u>533,660</u>	<u>554,670</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 673,030</u>	<u>\$ 632,364</u>	<u>\$ 720,706</u>

The accompanying notes are an integral part of these financial statements

DURACLEAN INTERNATIONAL,

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>CONTRACT REVENUES</u>	<u>\$ 1,480,761</u>	<u>\$ 1,410,485</u>	<u>\$ 1,709,895</u>
<u>COST OF REVENUES</u>	<u>423,143</u>	<u>427,764</u>	<u>434,659</u>
<u>GROSS PROFIT</u>	<u>1,057,618</u>	<u>982,721</u>	<u>1,275,236</u>
<u>OPERATING EXPENSES</u>			
<u>Franchise development, training, and assistance</u>	<u>121,936</u>	<u>124,040</u>	<u>144,214</u>
<u>Selling</u>	<u>40,650</u>	<u>17,135</u>	<u>31,665</u>
<u>General and administrative</u>	<u>811,455</u>	<u>758,387</u>	<u>748,192</u>
	<u>974,041</u>	<u>899,562</u>	<u>924,071</u>
<u>INCOME FROM OPERATIONS</u>	<u>83,577</u>	<u>83,159</u>	<u>351,165</u>
<u>OTHER INCOME (EXPENSE)</u>			
<u>Gain on sale of fixed assets</u>	<u>47,781</u>	<u>-</u>	<u>4,450</u>
<u>Stock bonus</u>	<u>(22,116)</u>	<u>(23,221)</u>	<u>(22,061)</u>
<u>Credit loss expense</u>	<u>(592)</u>	<u>-</u>	<u>-</u>
<u>Bad debt expense</u>	<u>-</u>	<u>-</u>	<u>(9,870)</u>
<u>Interest</u>	<u>(10,745)</u>	<u>(9,491)</u>	<u>(15,015)</u>
	<u>14,328</u>	<u>(32,712)</u>	<u>(42,496)</u>
<u>NET INCOME FROM OPERATIONS</u>	<u>97,905</u>	<u>50,447</u>	<u>308,669</u>
<u>NON-RECURRING EXPENSES</u>	<u>57,692</u>	<u>-</u>	<u>-</u>
<u>NET INCOME</u>	<u>\$ 40,213</u>	<u>\$ 50,447</u>	<u>\$ 308,669</u>

The accompanying notes are an integral part of these financial statements

DURACLEAN INTERNATIONAL,
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	<u>Common Stock</u>		<u>Treasury Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Deficit</u>	<u>Total</u>
	<u>Shares (1)</u>	<u>Amount</u>				
Balance, December 31, 2020	4,235	\$ 422,500	\$ (32,500)	\$ 1,153,883	\$ (1,266,143)	\$ 277,740
<u>Issuance of common stock</u>	325	32,500		(9,279)	-	23,221
<u>Purchase of treasury stock</u>	-	-	(32,500)	9,279	-	(23,221)
<u>Distributions to stockholders</u>	-	-	-	-	(31,739)	(31,739)
<u>Net income</u>	-	-	-	-	308,669	308,669
Balance, December 31, 2021	4,560	455,000	(65,000)	1,153,883	(989,213)	554,670
<u>Issuance of common stock</u>	325	32,500	-	(9,220)	-	23,280
<u>Purchase of treasury stock</u>	-	-	(32,500)	9,220	-	(23,280)
<u>Distributions to stockholders</u>	-	-	-	-	(71,457)	(71,457)
<u>Net income</u>	-	-	-	-	50,447	50,447
Balance, December 31, 2022	4,885	487,500	(97,500)	1,153,883	(1,010,223)	533,660
<u>Issuance of common stock</u>	325	32,500	-	57,785	-	90,285
<u>Purchase of treasury stock</u>	-	-	(227,500)	-	-	(227,500)
<u>Distributions to stockholders</u>	-	-	-	-	(21,938)	(21,938)
<u>Net income</u>	-	-	-	-	40,213	40,213
Balance, December 31, 2023	5,210	\$ 520,000	\$ (325,000)	\$ 1,211,668	\$ (991,948)	\$ 414,720

(1) Class V, \$100 par value, 23,000 shares authorized, 5,210 shares issued, 3,910 outstanding

The accompanying notes are an integral part of these financial statements

DURACLEAN INTERNATIONAL, INC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	2023	2022	2021
<u>OPERATING ACTIVITIES</u>			
Net income	\$ 40,213	\$ 50,447	\$ 308,669
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	46,137	41,226	33,549
Gain on sale of fixed assets	(47,781)	-	(4,450)
Changes in:			
Accounts receivable, net	(32,487)	196,217	(214,455)
Installment notes	(5,600)	9,046	21,906
Inventory, net	(28,561)	(5,983)	(805)
Prepaid expenses	15,536	(30,711)	(10,440)
Distributions payable	7,237	-	-
Deferred revenue	10,000	-	-
Accounts payable	22,250	(33,061)	(48,097)
Customer deposits	283	-	(16,000)
Accrued expenses	(2,984)	1,189	756
Net cash provided by operating activities	24,243	228,370	70,633
<u>INVESTING ACTIVITIES</u>			
Proceeds from sale of fixed assets	71,500	-	4,450
Purchase of fixed assets	(136,712)	(41,338)	(43,909)
Net cash used by investing activities	(65,212)	(41,338)	(39,459)
<u>FINANCING ACTIVITIES</u>			
(Repayment of) Proceeds from line of credit, net	(5,000)	5,000	(6,400)
Repayment of long-term debt	(29,940)	(40,460)	(21,908)
Proceeds from long-term debt	21,992	-	-
Deposits on treasury stock repurchase agreement	-	(44)	(220)
Purchase of treasury stock	(32,501)	(23,280)	(23,221)
Issuance of common stock	31,336	23,280	23,221
Distributions to stockholders	(21,938)	(71,457)	(31,739)
Net cash used by financing activities	(36,051)	(106,961)	(60,267)
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(77,020)	80,071	(29,093)
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	237,565	157,494	186,587
<u>ENDING CASH AND CASH EQUIVALENTS</u>	\$ 160,545	\$ 237,565	\$ 157,494
<u>SUPPLEMENTAL INFORMATION TO CASH FLOWS</u>			
Cash paid during the year for:			
Income taxes	\$ -	\$ -	\$ -
Interest	10,745	9,491	15,015
Non-cash investing activities:			
Long-term debt incurred for purchase of Wil's buyout	136,051	-	-

The accompanying notes are an integral part of these financial statements

**DURACLEAN INTERNATIONAL,
NOTES TO FINANCIAL**

NOTE A – NATURE OF OPERATIONS

Duraclean International, Inc. (the “Company”) is primarily engaged in the sale and support of cleaning franchises throughout the United States of America and internationally. Major sources of revenue come from the sale of franchises, franchise royalties and equipment/supplies sales. The Company also operates a company-owned franchise in the Chicago area.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

REVENUE RECOGNITION

The Company is engaged in the sale and support of cleaning franchises throughout the United States and internationally. These contracts are fixed price contracts each negotiated separately with the customer. The franchise agreement contains multiple performance obligations. The initial franchise fee is allocated to these performance obligations, which include the provision of training and support services, equipment and product, and the franchise fee license. The timing of the satisfaction of the service and product performance obligations is at the opening of the franchisee’s operations, and, accordingly, initial franchise fees are recognized at the opening of the franchisee’s operations. The timing of the satisfaction of the franchise fee royalties is over the term of the related agreement, and these franchise fee royalty revenues are recognized primarily on a bi-monthly basis, from reports received from franchisees shortly after period-end. Reports and payments are due within seven days after each bi-monthly period. Estimates are utilized in certain instances when actual numbers have not been received. Revenue from franchise fees can be impacted by the number of new franchises, the overall number of franchises, and franchisees’ revenues.

DURACLEAN INTERNATIONAL,

NOTES TO FINANCIAL

The Company also operates a company-owned franchise providing cleaning and restoration services in the Chicago area. These contracts are fixed price contracts each negotiated separately with the customers. Service jobs are short-term in nature, ranging from several hours to several weeks. The performance obligation is satisfied upon completion of the job, and revenue is recognized at that time. Payment is typically due upon receipt of the invoice. Each of these sales contracts consists of a single performance obligation to deliver cleaning or restoration services. Thus, the transaction price is not required to be allocated to multiple performance obligations. Control of the services is transferred to the customer upon their approval of the services. Revenue from services can be impacted by general economic conditions, relationships with third-party administrators for insurance companies, and the size of the jobs.

**DURACLEAN INTERNATIONAL,
NOTES TO FINANCIAL**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

The Company is engaged in the sale of cleaning equipment and supplies. These contracts are fixed price contracts each negotiated separately with the customer. These products are primarily sold to its franchisees. Revenues are recognized at a point in time when control of the products are transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the product. Product sales have contractual payment terms of net 30 days. Each of these sales contracts consists of a single performance obligation to deliver a specified number of products to the customer. Thus, the transaction price is not required to be allocated to multiple performance obligations. The timing of the satisfaction of the performance obligation is at the point in time when the control of the product is transferred to the customer. The Company considered several factors in determining that control transfers to the customer upon shipment of retail and wholesale products. These factors include that legal title transfers to the customer, the Company has a present right to payment, and the customer has assumed the risks and rewards of ownership at the time of shipment. Historically, returns have been negligible and, consequently, the transaction price of plastics injection molded gears is not considered to contain an element of variable consideration. Returns are recognized when they occur. Revenue from sale of product can be impacted by the number of new franchises and demand for product by the franchisees.

Revenues are recognized when control of these products or services are transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. Shipping and handling fees charged to customers are reported within revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of revenues. Incidental items that are immaterial in the context of the Company's contracts are recognized as expense. The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than a year. Sales and similar taxes that are imposed on sales and collected from customers are excluded from revenue.

The following table disaggregates the Company's revenue based on the timing or satisfaction of performance obligations for the years ended December 31, 2023, 2022, and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Performance obligations satisfied over time</u>	<u>\$ 704,251</u>	<u>\$ 684,458</u>	<u>\$ 727,656</u>
<u>Performance obligations satisfied at a point in time</u>	<u>776,510</u>	<u>726,027</u>	<u>982,239</u>
	<u>\$ 1,480,761</u>	<u>\$ 1,410,485</u>	<u>\$ 1,709,895</u>

DURACLEAN INTERNATIONAL,

NOTES TO FINANCIAL

Revenue from performance obligations satisfied over time include franchise fee royalty revenues.
Revenue from performance obligations satisfied at a point in time include initial franchise fees, equipment and product sales, and service revenues.

**DURACLEAN INTERNATIONAL,
NOTES TO FINANCIAL**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

The allocation of the performance obligations associated with the initial franchise fee are as follows:

<u>Training, marketing and other support services</u>	\$ 25,300
<u>Equipment</u>	31,500
<u>Products and supplies</u>	<u>2,700</u>
	\$ 59,500

The beginning and ending balances of contract assets and liabilities from contracts with customers are as follows as of December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Accounts Receivable, net</u>	\$ 125,785	\$ 93,298	\$ 289,515	\$ 75,060
<u>Contract Assets</u>	14,948	9,348	18,394	40,300
<u>Contract Liabilities</u>	10,000	-	-	16,000

Contract assets consist of installment notes receivable. Contract liabilities consist of deferred revenue. The Company, may, from time to time, offer to finance its franchisees' accounts receivable debt when franchisees have accumulated large outstanding accounts receivable balances. Contract liabilities consist of customer deposits.

No impairment losses were incurred in 2023, 2022, or 2021 with respect to contract assets arising from contracts with customers.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

At times during the year, the Company may have cash and cash equivalents in excess of federally insured limits of \$250,000 at one banking institution. These amounts potentially subject the Company to credit risk if the banking institution fails. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**DURACLEAN INTERNATIONAL,
NOTES TO FINANCIAL**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS RECEIVABLE

Accounts and installment notes receivable are stated at the amount management expects to collect from outstanding balances. Installment notes receivable from franchisees, are generally unsecured with various interest rates and terms of one to four years. The Company records an allowance for lifetime credit losses that are expected to be incurred as of the date that a receivable is originated. The allowance reduces the carrying amount of the receivables to the net amount expected to be collected. The determination of the allowance requires us to collectively evaluate receivables by classifying them into pools that share similar risk characteristics such as type of receivable, size of the receivable, date of origination, etc. while individually evaluating such assets, if any, that do not possess risk characteristics similar to those in the identified pools.

The normal terms for the Companies sales to individuals are 30 days from invoice. The Company considers a receivable to be past due when the 30-day normal terms have been exceeded and an assessment of the current status of individual accounts is completed.

Receivables are written off after all reasonable collection efforts have been exhausted. Write offs are recognized as a deduction from the allowance for credit losses. Amounts previously written off that are now expected to be recovered are included in the determination of the allowance for credit losses.

Estimate of the required allowance for credit losses is based on:

- Available and relevant internal and/or external information about historical loss experience with similar assets,
- Current conditions, and, if applicable,
- Reasonable and supportable forecasts that affect the expected collectability of the reported amount of financial assets that have an extended contractual term

INVENTORY

Inventory, consisting of supply inventory, is stated at the lower of cost or net realizable value, with cost determined on a first in, first out basis.

Inventory consists of the following:

	2023	2022	2021
<u>Inventory, net</u>	<u>\$ 52,232</u>	<u>\$ 22,765</u>	<u>\$ 21,716</u>
<u>Reserve for inventory obsolescence</u>	<u>(1,826)</u>	<u>(920)</u>	<u>(5,854)</u>
	<u><u>\$ 50,406</u></u>	<u><u>\$ 21,845</u></u>	<u><u>\$ 15,862</u></u>

FIXED ASSETS

DURACLEAN INTERNATIONAL,

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Fixed assets are stated at cost. Depreciation is calculated on a straight-line basis over the estimated lives of the related assets. The Company has adopted a policy to capitalize assets using a \$1,000 threshold.

DURACLEAN INTERNATIONAL,
NOTES TO FINANCIAL

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIXED ASSETS (CONTINUED)

Major classifications of property and equipment and their respective lives are summarized below:

	<u>Lives in Years</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Leasehold improvements</u>	<u>39</u>	<u>\$ 10,454</u>	<u>\$ 10,454</u>	<u>\$ 10,454</u>
<u>Equipment and furniture</u>	<u>5-7</u>	<u>367,139</u>	<u>324,148</u>	<u>282,811</u>
<u>Vehicles</u>	<u>5</u>	<u>182,886</u>	<u>188,100</u>	<u>188,100</u>
		<u>\$ 560,479</u>	<u>\$ 522,702</u>	<u>\$ 481,365</u>

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in income.

CARRYING VALUE OF LONG-LIVED ASSETS

In the event that facts and circumstances indicate that the Company's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The Company considers that no circumstances currently exist that would require such an evaluation.

GOODWILL

Goodwill represents an acquired company's acquisition cost less the fair value of assets. Goodwill is assigned to specific reporting units and is reviewed for possible impairment upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill.

The fair value of the reporting unit is estimated on the present value of expected future cash flows. Management has determined that goodwill of \$68,578 was not impaired for the year ended December 31, 2023. No triggering event occurred during the year ended December 31, 2023 that required goodwill impairment testing and, accordingly, no impairment loss was recorded in 2023.

For tax purposes, goodwill continues to be amortized over 15 years resulting in a \$4,572 deduction on the 2023 tax return.

**DURACLEAN INTERNATIONAL,
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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

There is no provision for federal corporate income taxes because the stockholders have elected to pay these taxes in accordance with S Corporation rules of the Internal Revenue Code. A provision for state replacement tax has not been made due to the availability of state net operating loss carryforwards.

The Company has adopted the provision of ASC Topic 740, Income Taxes, relating to the accounting for uncertainty in income taxes. The Company files income tax returns in the U.S. federal jurisdiction, and various states. Management is not aware of any uncertain tax positions.

ADVERTISING

The Company expenses advertising costs as incurred. Total advertising expense for December 31, 2023, 2022, and 2021 was \$36,052, \$3,725, and \$12,924, respectively.

RECLASSIFICATIONS

Reclassifications occurred to certain prior year amounts in order to conform with the current year classifications. The reclassifications have no effect on reported net income.

NON-RECURRING EXPENSES

Non-recurring expenses occurred in the current year as Wil Gage, a major stockholder of the company, passed away. These expenses were one-time expenses that consisted of key-employee payout to Wil's spouse and legal fees.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 29, 2024, the date which the financial statements were available to be issued.

NOTE C – BANK LOAN PAYABLE

The Company has an open line of credit with Bank of America that was closed October 29, 2023. Interest is payable at the bank's prime rate plus 1.75%. As of December 31, 2022, and 2021, the effective interest rates were 9.25%, and 5.00%, respectively. The loan is collateralized by substantially all assets of the Company. The loan is personally guaranteed by the stockholders. All principal and interest payments are made by the Company. As of December 31, 2023, 2022, and 2021, the Company had balances due of \$0, \$5,000, and \$0, respectively. The Company opened a line of credit with PNC Bank December 1, 2023. Interest is payable at a variable rate. As of December 31, 2023, the effective interest rate is

**DURACLEAN INTERNATIONAL,
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| [12.57%](#)

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NOTE D – LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>An installment loan payable \$1,025 per month, principal and interest at 7.98%, maturing October 2028. The loan is collateralized by transportation equipment.</u>	<u>\$ 49,202</u>	<u>\$ -</u>	<u>\$ -</u>
<u>A note payable to the estate of Will Gage for the share buyout. Payments are \$5,943 per month, principal and interest at 9.79%, maturing October 2028.</u>	<u>108,841</u>	<u>-</u>	<u>-</u>
<u>An installment loan payable \$591 per month, principal and interest at 7.44%, maturing February 2026. The loan is collateralized by transportation equipment.</u>	<u>14,012</u>	<u>19,825</u>	<u>25,222</u>
<u>An installment loan payable \$838 per month, principal and interest at 7.99%, maturing September 2025. The loan is collateralized by transportation equipment.</u>	<u>-</u>	<u>24,127</u>	<u>31,919</u>
<u>An installment loan payable \$748 per month, principal and interest at 8.45%, maturing January 2023. The loan is collateralized by transportation equipment.</u>	<u>-</u>	<u>-</u>	<u>9,160</u>
<u>A note payable to a former franchisee for the acquisition of the franchise operations. Payments are variable based on revenues the Company generates from the franchise's former customers.</u>	<u>-</u>	<u>-</u>	<u>18,111</u>
	<u>172,055</u>	<u>43,952</u>	<u>84,412</u>
<u>Less current portion</u>	<u>(35,939)</u>	<u>(14,250)</u>	<u>(39,823)</u>
<u>Long-term portion</u>	<u>\$ 136,116</u>	<u>\$ 29,702</u>	<u>\$ 44,589</u>

DURACLEAN INTERNATIONAL,
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NOTE D – LONG-TERM DEBT (Continued)

The total debt maturing in years subsequent to December 31, 2023 is as follows:

Year-ending December 31

<u>2024</u>	\$ <u>35,939</u>
<u>2025</u>	36,886
<u>2026</u>	32,730
<u>2027</u>	33,392
<u>2028 and beyond</u>	<u>33,108</u>
	\$ <u>172,055</u>

NOTE E – FRANCHISE FEE REVENUES

Gross revenues include franchise royalty fee revenues of \$701,261, \$697,743, and \$716,319 for the years ended December 31, 2023, 2022, and 2021, respectively. Initial franchise fees totaled \$37,750, \$0, and \$0 for the years ended December 31, 2023, 2022, and 2021, respectively and include existing franchises who have transferred ownership.

Gross revenues include equipment and product sales revenue of \$94,064, \$112,090, and \$131,941 for the years ended December 31, 2023, 2022, and 2021, respectively. Sales related to a franchisor owned operation totaled \$653,624, \$591,167, and \$860,559 for the years ended December 31, 2023, 2022, and 2021, respectively.

NOTE F – RETIREMENT PLAN

The Company maintains a qualified retirement plan that allows for voluntary employee contributions from 2% to 15% of compensation. The Company's discretionary matching contribution is a maximum of 2% of an employee's compensation. The Company did not make a matching contribution for the years ended December 31, 2023, 2022, and 2021.

NOTE G – LEASE COMMITMENTS

The Company recognizes rent expense in amounts equal to the actual rent payments required by its lease agreement rather than recognizing rent expense using the straight-line method over the term of the lease and has not recorded a lease liability or right-of-use asset on the balance sheet. This method of recognizing rent expense and the absence of recording a lease liability and asset is a departure from accounting principles generally accepted in the United States of America. Total rent expense, including common area maintenance fees, was \$125,266, \$124,365, and \$99,571 for the years ended December 31, 2023, 2022, and 2021, respectively. Subsequent to year end the Company signed a new lease on February 8, 2024, at a new location that will commence on April

DURACLEAN INTERNATIONAL,

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1, 2024 with escalating rent payments from \$1,619 to 1,794.

**DURACLEAN INTERNATIONAL,
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NOTE G – LEASE COMMITMENTS (Continued)

Future minimum lease payments for the above operating lease are as follows:

Year-ending December 31,

<u>2024</u>	<u>\$ 103,785</u>
<u>2025</u>	<u>61,688</u>
	<u>\$ 165,473</u>

NOTE H – TREASURY STOCK

In February 2019, the stockholders proposed the Company repurchase 1,950 shares of common stock from a principal stockholder. In 2021, 2022 and 2023, the Company completed the repurchase of 325 shares each year at an aggregate cost of \$23,280 a year. Additionally, the Company paid \$17,460 in deposits towards the repurchase of an additional 325 shares to be completed approximately March 2023. During the year ended December 31, 2023, the Company paid \$5,820 in deposits towards the purchase of Will Gage’s stock of an additional 660 shares. These treasury stock shares may be cancelled upon the Board of Directors approval.

NOTE I – ALLOWANCE FOR CREDIT LOSSES

Credit loss activity consists of the following for the year ended December 31, 2023:

	<u>2023</u>
<u>Balance, beginning of year</u>	<u>\$ 2,000</u>
<u>Write-offs</u> -	
<u>Recoveries</u> -	
<u>Credit loss expense</u> 592	
<u>Balance, end of year</u>	<u>\$ 2,592</u>

The risks attributable to portfolio of accounts receivable relate to the liquidity and financial viability of customers. The credit risk relative to the customer environment is largely due to factors such as general economic conditions, inflation rates, interest rates, and employment status in the geographic areas in which the customers conduct their business.

The Company determines the allowance for credit losses by using an accounts receivable aging

DURACLEAN INTERNATIONAL,

schedule and utilizing historical loss percentages, adjusted for the effects of current conditions and reasonable and supportable forecasts of the future. The factors that influenced judgments in the current and forecast periods were as follows: change in Gross Domestic Product (GDP), evaluation of interest rates published by the U.S. Federal Reserve, and the rate of inflation.

NOTE I – ALLOWANCE FOR CREDIT LOSSES (Continued)

The Company determines the allowance for credit losses by using a probability-of-defaults for unbilled receivables. The factors that influenced judgments in the current and forecast periods were as follows: change in Gross Domestic Product (GDP), changes in the unemployment rates, evaluation of interest rates published by the U.S. Federal Reserve, and the rate of inflation.

The Company adjusted historical loss rates to reflect the anticipated effects caused by some of the factors listed above. Due to the short-term nature of accounts receivable, it was not necessary for the Company, in making computations, to adjust the estimate of the rate of expected lifetime credit losses for reasonable and supportable forecasts or revert to historical data for periods subsequent to a reasonable and supportable forecast period.

NOTE J – ACCOUNTING CHANGE

As of January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments- Credit Losses (Topic 326) that replaced the incurred loss model for measuring the allowance for credit losses with a new model that reflects current expected credit losses (CECL) that are expected to occur over the lifetime of the underlying accounts and notes receivable. The CECL methodology is applicable to financial assets that are measure at amortized cost, including accounts receivable and installment notes receivable. This estimate must be based on all relevant information, such as historical information, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. We adopted the changes in accounting for credit losses using a modified retrospective method. Under the modified retrospective approach, the Company had no change to the opening balances

State Administrators

CALIFORNIA

California Commissioner of Corporation
1515 K Street, Suite 200
Sacramento CA 95814-4052

HAWAII

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

ILLINOIS

Attorney General State of Illinois
500 South Second Street
Springfield IL 62706

INDIANA

Agent
201 State House
200 West Washington Street
Indianapolis IN 46204

Administrator

Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis IN 46204

MARYLAND

Office of the Attorney General, Securities
Division
200 St. Paul Place
Baltimore MD 21202

MICHIGAN

Michigan Attorney General, Consumer
Protection
Atten: Franchise Division
670 Law Building
Lansing MI 48913

MINNESOTA

Commissioner of Securities
Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul MN 55101

NEW YORK

New York State Department of Law
Bureau of Investor Protection & Securities
120 Broadway, 23rd Floor
New York NY 10271

NORTH DAKOTA

North Dakota Commissioner of Securities
301 State Capitol
600 East Blvd.
Bismarck ND 58501

OREGON

Oregon Corporation Division
Commerce Building
Salem OR 97310

RHODE ISLAND

Secretary of State
Rhode Island Dept. of Business Registration
Securities Section
233 Richmond Street, Suite 232
Providence RI 02903

SOUTH DAKOTA

Director of Division of Securities
Department of Commerce & Consumer Affairs
State Capitol
118 West Capitol Street
Pierre, SD 57501

VIRGINIA

Agency
State Corporation Commission
Virginia Div. of Securities & Retail Franchising
1300 East Main Street, 9th Floor
Richmond VA 23219

WASHINGTON

Director of the Department of Licensing
P.O. Box 9033
Olympia WA 98507

WISCONSIN

Commissioner of Securities
Franchise Investment Division
101 East Wilson Street 4th Floor
Madison WI 53702

Agents For Service of Process

CALIFORNIA

California Commissioner of Corporation
1515 K Street, Suite 200
Sacramento CA 95814-4052

HAWAII

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

ILLINOIS

Attorney General State of Illinois
500 South Second Street
Springfield IL 62706

INDIANA

Agent
201 State House
200 West Washington Street
Indianapolis IN 46204

Administrator

Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis IN 46204

MARYLAND

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

MICHIGAN

Michigan Attorney General, Consumer
Protection
Atten: Franchise Division
670 Law Building
Lansing MI 48913

MINNESOTA

Commissioner of Securities
Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul MN 55101-2198

NEW YORK

Secretary of State of the State of New York
99 Washington Avenue
Albany NY 12231

NORTH DAKOTA

North Dakota Commissioner of Securities
301 State Capitol
600 East Blvd.
Bismarck ND 58501

OREGON

Oregon Corporation Division
Commerce Building
Salem OR 97310

RHODE ISLAND

Secretary of State
Rhode Island Dept. of Business Registration
Securities Section
233 Richmond Street, Suite 232
Providence RI 02903

SOUTH DAKOTA

Director of Division of Securities
Department of Commerce & Consumer Affairs
State Capitol
118 West Capitol Street
Pierre, SD 57501

VIRGINIA

Agent
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond VA 23219

WASHINGTON

Director of the Department of Licensing
P.O. Box 9033
Olympia WA 98507

WISCONSIN

Commissioner of Securities
Franchise Investment Division
101 East Wilson Street 4th Floor
Madison WI 53702

ADDENDUM
To Duraclean International, Inc.
Franchise Disclosure Document
REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchise Act, the Application for Ownership (the Agreement) of Duraclean International, Inc. shall include the following language:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 day notice of termination (with 60 days to cure) and 180 day notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

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

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

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

IN WITNESS WHEREOF, the parties hereto have executed and delivered this ADDENDUM on the day and year first written.

Franchisee

Signed individually and/or as an officer or partner of the franchisee

date

Franchisor

by _____

title

date

LIST OF FRANCHISES
YEAR ENDING 12/31/202~~2~~3

DAVE FLORES
285 SOBRANTE WAY. STE M
SUNNYVALE CA 94086-2814
408-739-2665

DURACLEAN BENNETT
43300 Business Park Drive
TEMECULA CA 92590
951-693-2900

JOHN F. TYREE
178 NORTH BARNWELL ST.
OCEANSIDE CA 92054-3747
760-757-5038

MAHMOUD SHIRAZI
P.O. BOX 2352
SAN RAFAEL CA 94912-2352
415-457-5178

DURACLEAN HICKEY
285 SOBRANTE WAY. STE M
SUNNYVALE CA 94086-2814
408-739-2665

STEVE NOE
177 48TH AVE
GREELEY CO 80634-4311
970-353-9229

DURACLEAN WHITBECK
97H W DUDLEY TOWN RD
BLOOMFIELD CT 06002
860-882-0940

WILLIAM ROCK
P O BOX 6157
DELTONA FL 32728-6157
386-734-2309

DURACLEAN BY BUSY B'S
P O BOX 6157
DELTONA FL 32728-6157
386-734-2309

DURACLEAN BY SMITH
P O BOX 6157
DELTONA FL 32728-6157
386-734-2309

NARCISCO (OTTO) DIAZ
13831 SW 31ST COURT
OCALA. FL 34473-2235
352-245-3383

DURACLEAN BY GRADY
P O BOX 6157
DELTONA FL 32728-6157
386-734-2309

GREGORY MANZI
527 NW 36TH AVENUE
DEERFIELD BCH FL 33442
954-571-3855

BRADLEY PARKS
4800 RALEY ROAD
MACON. GA 31206
478-475-9650

DURACLEAN BY HESTER
4800 RALEY ROAD
MACON. GA 31206
478-475-9650

DURACLEAN BY ROBBINS
4800 RALEY ROAD
MACON. GA 31206
478-475-9650

DURACLEAN BY JOE SMITH
4800 RALEY ROAD
MACON. GA 31206
478-475-9650

DURACLEAN OF HOUSTON
4800 RALEY ROAD
MACON. GA 31206
478-475-9650

JERAD S. BENNETT
280 PINEDALE CIRCLE
VALDOSTA GA 31602
229-247-6901

ALVIN L. JAMES. JR.
2740 GREENBRIAR PKW SW
ATLANTA GA 30331-2614
770-477-8277

DURACLEAN McAULEY
4636 NORTH BERKSHIRE DR
BOISE ID 83704
208-321-8300

DURACLEAN RESTORATION
220 CAMPUS DRIVE
ARLINGTON HGTS, IL 60004
800-862-5326

DANIEL J. BROWN
6396 BLYTH ROAD
CALEDONIA IL 61011-9644
815-885-9091

DURACLEAN SPRINGER
220 CAMPUS DRIVE
ARLINGTON HGTS, IL 60004
800-862-5326

DURACLEAN ECKSTEIN
220 CAMPUS DRIVE
ARLINGTON HGTS, IL 60004
800-862-5326

DURACLEAN TOMASELLO
220 CAMPUS DRIVE
ARLINGTON HGTS, IL 60004
800-862-5326

CHARLES BLANK
1255 DEERE PARK LANE
DEERFIELD IL 60015-3004
847-945-6565

DURACLEAN THOMAS
220 CAMPUS DRIVE
ARLINGTON HGTS, IL 60004
800-862-5326

DURACLEAN / SHEDD
220 CAMPUS DRIVE
ARLINGTON HGTS IL 60004
800-862-5326

HUBERT J. MONTESI
301 WEST DANIELS ROAD
PALATINE, IL 60067
847-657-8484

DURACLEAN RES/COM CLN
220 CAMPUS DRIVE
ARLINGTON HGTS, IL 60004
800-862-5326

JOSEPH BARTZ
865 E. JACKSON ST. #7
BELVIDERE IL 61008-3201
815-544-9244

DWIGHT LONIE
512 WEST TAFT DRIVE
SOUTH HOLLAND IL 60473
708-798-2072

DURACLEAN QUALITY CLN
220 CAMPUS DR
ARLINGTON HGTS IL 60004
800-862-5326

STEVE BERNS
24351 W GRASS LAKE ROAD
ANTIOCH IL 60002
847-395-2122

DURACLEAN ADV CLNG
220 CAMPUS DRIVE
ARLINGTON HGTS IL 60004
847-291-0230

DURACLEAN GORST
220 CAMPUS DRIVE
ARLINGTON HGTS, IL 60004
800-862-5326

DURACLEAN RICHARDSON
808 WEST MAUMEE
ANGOLA IN 46703-1324
260-665-3055

GENO GEORGE
10803 PORTER STREET
CROWN POINT IN 46307
219-662-6358

TIM SHOUP
808 WEST MAUMEE
ANGOLA IN 46703-1324
260-665-3055

DONALD R. FOSTER
5415 WEST 750 NORTH
McCORDSVILLE IN 46055
317-335-2253

GRAVIS ALGER
1308 LOCUST STREET
WEST DES MOINES IA 50265
515-650-1620

RICK L. ALGER
1640 BLOOMINGTON RD
MT VERNON IA 52314-9620
319-365-7269

DOUGLAS R. HANNA
1003 SOUTH WASHINGTON
LAKE MILLS IA 50450-1855
515-592-5772

RENEE RIDINGER
1968 HIGHWAY 218
MT PLEASANT IA 52641
319-986-6613

PHILIP PRICHARD
2435 HICKORY GROVE RD
DAVENPORT IA 52804-2459
319-323-6318

JOHN R. HALL
520 FLOYDS FORK DRIVE
SHEPHERDSVILLE KY 40165
502-957-3308

DURACLEAN JACKSON
P.O. BOX 151
HAMMOND LA 70404-0151
985-345-8636

D'ANN GUIDRY
2459 ROYAL STREET
NEW ORLEANS LA 70117
504-945-2188

RAYMOND F. MARTINEZ
2249 HWY #1
RACELAND LA 70394-3642
985-447-4968

THOMAS P. DUBE
20 NEW ROAD
SCARBOROUGH ME 04074
207-775-5490

RICHARD CRISS
1417 GUNSTON RD.
BEL AIR MD 21015-1309
410-838-7330

DURACLEAN RAJABI
24058 BUDDS CREEK ROAD
CLEAMENTS MD 20624
301-259-2026

GEORGE B. GIBSON
24058 BUDDS CREEK ROAD
CLEAMENTS MD 20624
301-259-2026

RICHARD J. BRADY
20 POWDER HILL ROAD
E LONGMEADOW MA 01028
413-525-1129

FREDERICK HIGGINS
4 PECOS CIRCLE
CHELMSFORD MA 01824
978-244-2488

MARK E. LEONE
41 TRAVELER LANE
MARSHFIELD MA 02050
781-837-3899

MORLU K. MARVIE
41 GRAMMONT RD
WORCESTER MA 01607-1113
508-853-1992

QUINTUS E. McDERMOTT
2210 MASSACHUSETTS AVE
CAMBRIDGE MA 02140-1892
617-876-1218

JOHN J. HOSKIN, JR.
31505 GRAND RIVER
FARMINGTON MI 48336
248-471-4646

TOM MILLER
175 40TH STREET
ALLEGAN MI 49010
269-521-4117

MICHAEL R. BACHELLER
709 HURON AVE
PORT HURON MI 48060-3704
810-982-7044

COREY HEDRICH
8499 N. SEYMOUR ROAD
OWOSSO MI 48867
989-725-1650

CLAUDE LEMMER
1510 E. PRESTON STREET
MT PLEASANT MI 48858
989-773-4129

SCOTT ALAN CRABB
12741 S. SAGINAW STE. LL3
GRAND BLANC MI 48439
810-695-0210

ROBERT DAVIS
1807 MONROE ST.
COLUMBIA MO 65201-5522
573-442-5954

JOHN T. HARDY
P O BOX 617
BRIDGETON MO 63044
636-947-4696

SCOTT COTE
RT. 16
INTERVALE NH 03845
603-356-5065

DANIEL M. CANNA
619 WAYNE AVENUE
PITMAN NJ 08071
856-582-0050

KENNETH R. KASSNER
348 RIVER ROAD
HACKETTSTOWN NJ 07840
973-366-4330

BRIAN BEDOTTO
191 MT PLEASANT AVE
ROCKAWAY NJ 07866-2817
973-627-3492

WALTER HESTER
72 CLINTON STREET
ALBANY NY 12202-1531
518-449-5211

LUIS LICETTI
245 E. 77TH ST. 1FW
NEW YORK NY 10021-2050
212-288-4890

ROBERT MESTRANDREA
77-16 78 STREET
GLENDALE NY 11385-7509
718-628-4996

VINCENT N. ANNUNZIATA
15 CROSS ROAD
COCHECTON NY 12726-5002
845-932-8475

PRISCILLA CASTELLANO
3 BEACH PLUM LANE
MIDDLE ISLAND, NY 11953
516-877-7774

NICK ATHANASAKIS
166 EAST 86TH
NEW YORK NY 10028-2107
212-289-8700

KEN WOLBERG
711 25TH ST WEST
DICKINSON ND 58601-2742
701-225-0778

TODD WEARSCH
4645 JAYCOX ROAD
AVON OH 44011
440-937-5900

MICHAEL RAY ABERNATHY
500 NORTH 5TH
THOMAS OK 73669-0801
580-661-2645

GEORGE S. REICHLEY, JR.
480 BLUE MOUNTAIN PKWY
HARRISBURG PA 17112-9617
717-599-5999

JASON SAUERS
1309 WASHINGTON BLVD
WILLIAMSPORT PA 17701
570-327-9010

ROBERT JAMES. JR
15 CROSS STREET
DANVILLE PA 17821-1634
570-275-1167

DAVID LOVE
RD #1. BOX 3
CORSICA PA 15829-9604
814-379-3390

DURACLEAN PINNIX
104 ROBINWOOD DRIVE
SIMPSONVILLE SC 29681
803-479-7876

MISTY MANER
1857 ROBIN ROAD
NORTH AUGUSTA SC 29841
803-279-8842

RANDALL ROE
1140 MOSELEY AVENUE
IRMO SC 29063
803-732-2000

KEITH A. KROPP
1015 5TH AVE. N. UNIT B
SURFSIDE BEACH, SC 29575
843-238-3382

DURACLEAN WHITLOCK
1140 MOSELEY AVENUE
IRMO SC 29063
803-732-2000

ALLAN THOMAS
119 WEBB ST
SIMPSONVILLE SC 29681
864-963-7340

KENNETH G. SCHONEBAUM.
DURACLEAN SERVICE
MITCHELL SD 57301-0663
605-996-4043

KEVIN ADLOF
1824 N. BINKLEY
SHERMAN TX 75092
903-870-7012

OBERLIN O. FONSECA
1145 BEN LORA LANE
SAN BENITO TX 78586
956-399-1113

DOUG JERDET
10615 PERRIN BEITEL
SAN ANTONIO TX 78247-1319
210-653-8075

LAWRENCE J. ROSNIAK
ROUTE #1 BOX 93R
EAST BERNARD TX 77435
409-335-4375

JOHNNY LAMBERT
408 TIFFANY DRIVE
BRIDGEWATER VA 22812
540-828-0125

MICHAEL SHIFFLETT
3445 SEMINOLE TRAIL
CHARLOTTESVILLE VA 22911
434-296-8510

STEPHEN RILEY
713 BEGGIN POND ROAD
MIDLOTHIAN, VA 23114
804-378-8178

LARRY R. FRITTS
309 W. WASHINGTON ST
CHARLES TOWN WV 25414
304-725-973

ALAN J. JANKOWSKI
2901 MADISON AVENUE
PLOVER WI S4467
715-341-4797

GEORGINA WILBANKS
119 BEDFORD ROAD
GREENWOOD, SC 29649
864-344-8203

DENNIS SHERWOOD
250 Church Road
MEDFORD, NJ 08055
856-985-7777

ROY CODELUPPI
4017 WASHINGTON RD.
MCMURRAY, PA 15317
724-884-6265

JOHN YANCEY
1604 REX DRIVE
MARIETTA, GA 30066
770-434-9559

AL BORRELLI
147 WHEELER
PLEASANTVILLE, NY 10570
914-294-2700

Exhibit G
List of Former Duraclean Franchises
Year Ending 12/31/2020³

TRACY WORLUND
97H W DUDLEY TOWN RD
BLOOMFIELD CT 06002
860-882-0940

JOSEPH CARVALHO
35 MEESON STREET
FALL RIVER. MA 02724-3034
508-679-0168

DEAN C. KENT
7139 FRY ROAD
MIDDLEBURG HTS OH 44130
440-243-9965

|

Franchisee Organizations We Have Created, Sponsored or Endorsed

Duraclean has not created, sponsored or endorsed any Franchisee organizations.

Independent Franchisee Associations

Duraclean is not aware of any independent Franchisee associations.

Please see Exhibit I which has been relocated to page 85

Guarantee

The franchisor's obligations are not guaranteed by a parent or affiliate, therefore there is no guarantee required to be made in this disclosure document.

Exhibit K1
Initial Order

At Duraclean we don't make you fit the program, we make the program fit you! You can build your Duraclean franchise business to suite your likes, to fit your goals and in a manner that you are comfortable with. You can start with a small investment and grow your business as large as you like, providing one service or choose from the array of services provided by Duraclean.

With one franchise license you are authorized to provide any of the services supported by Duraclean. When you are ready to add a new service you can attend training and purchase the necessary equipment, solutions or supplies. *There is no need to purchase an additional franchise license!*

The initial Restoration franchise fee, \$89,500, includes the Franchise License, training materials, Success Institute, van decals allowance, printing allowance, equipment, solutions, supplies, optional website hosting & six month optimization (SEO) and one year of Duraclean's business software.

The items included in the equipment, solutions and supplies package are changed periodically to reflect changes in the cleaning and restoration industry and franchisees' needs.

In addition Duraclean distributes equipment, supplies and solutions for Mold Remediation, Tile & Grout Cleaning, Advanced Upholstery & Drapery Cleaning, Fire and Smoke Damage Restoration, Janitorial Cleaning, Hard Surface Floor Cleaning, Wood Floor Cleaning, Pressure Washing and Trauma Cleanup.

Applicable tax and freight are additional on all orders. Franchise Disclosure Documents are filed with state authorities and approval can often take months. As a result of this and supply chain disruption prices and delivery times are subject to change and new items may be introduced that are not currently included in these packages. These items will be made available to you at the time of training.



FEES and SERVICES

ORIGINATION FEE FOR FIRST Duraclean FRANCHISE

US & Canada \$29,500.

The total price for a Duraclean franchise is the above one-time "Training and Territory Rights" investment payment plus the price of equipment, accessories and supplies in the initial package.

ORIGINATION FEE FOR ANOTHER FRANCHISE (Same Owner)

US & Canada
~~\$15,000~~ 19,500.

This Trademark and Territory Rights investment applies to an additional, separate franchise operated by the same owner from a different address.

MARKET SIZE EXPANSION

US & Canada
~~\$15,000~~ 19,500.

Market area expansion of an existing franchise into an adjacent Primary Market Area but still operated from the same address.

SALE OF FRANCHISE

US & Canada
~~\$13,250~~ 15,000.

Transfer of Trademark and Territory Rights including Success Institute tuition with transportation and lodging, personalized printing and software allowance (package subject to change).

FRANCHISE RENEWAL

no charge

INTERNATIONAL FEES

The charges for origination of an international franchise, origination of a second international franchise, for market size expansion, and for the sale of an international franchise are based on the size of the territory and the services supported within that territory.

ADMINISTRATIVE SERVICES

Adding a partner	(use form 3337) *requires Success Institute attendance	\$ 250.00*
Dropping a partner	(use form 3338)	\$ 150.00
Returned Checks, each	1 st occasion	\$ 35.00
	2 nd occasion	\$ 50.00
	3 rd occasion	\$ 70.00
Minimum Supply Order		\$ 25.00
Restocking Charge	% of order	15%
	minimum	\$ 10.00
Service Charges		
on unpaid balances	monthly	1.5%
late note payments	each	\$ 7.50
late job reports	each from due date	\$25.00
royalty/subscription		
credit card payments	each	23 %
Equipment Repairs	minimum	\$ 80.00**
	**parts & freight additional	
	additional ¼ hours labor	\$ 20.00
Computer Support (special Issues)		
telephone	per ¼ hour	\$ 25.00
at your location	by agreement	

Subscription Services

Payments for services such as but not limited to computer software, domain hosting, search engine optimization and website setup will be billed and due in advance. Payment by credit / debit card will be subject to an additional 1.5% charge.

Credit Card Policy

Due to the continued increase of costs for processing credit and debit cards, Duraclean International, Inc. has revised our policy regarding their use. We understand the ease of using credit cards as payments and in place of credit or debit cards we are offering an automated payment processing method to you.

Royalty & Subscription Payments

Royalty and Subscription payments will be available to be processed thru the automated payment system. When you submit your royalty report (either electronically or by mail) or order subscription services we will process the order and send you an electronic invoice for that payment amount. You will receive an email and all you will need to do is select the **Pay Invoice** button and enter your checking account information. You will have the opportunity to store this information for future payments, but you are not required to and you will be able to enter the information manually for future payments. These payments are processed thru QuickBooks. You do not need to have QuickBooks to take advantage of this system. Your account information will not be stored by Duraclean. QuickBooks uses state-of-the art encryption and authentication technologies, including Secure Sockets Layer (SSL), digital certificates, and RSA encryption to protect the security and privacy of your financial information.

Manual payments via paper check are still accepted.

If you wish to use credit or debit cards for payment of royalties and/or subscriptions, there will be a processing fee of 23% added to your invoice.

Supply or Equipment Purchase Payments

You may pay invoices for any supplies, equipment or materials using debit or credit cards and manual checks. However, if you would like the convenience of electronic payment processing for supply invoices, you will have that option.

There will be no processing fee for supply or equipment purchases paid by credit or debit cards.

If you have any questions on how the system works, please contact Cindy Gillespie at 800-251-7070 x 123. Please email or fax your enrollment selection to: cgillespie@duraclean.com or 847-704-7101.

Enrollment Selection

Please note that enrolling in the electronic payment system will not automatically debit your bank account. You will be sent an invoice and you will have to select pay/authorize for that invoice in order for it to be processed.

- Process all payments including royalty and supplies using the electronic system
- Process royalty payments only using the electronic system
- I will use multiple payment methods and will notify you when I submit my royalty reports
- I will send paper checks

Franchise Name	
Tradestyle	

City / State	
--------------	--

SUCCESS INSTITUTE MANUAL
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SUCCESS INSTITUTE MANUAL
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Note: Success Institute training is done via webinar/video-conferencing/pre-recorded video, in Arlington Heights at the Corporate Headquarters at our choosing and in your Territory.

Exhibit I
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 or 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	
Hawaii	-
Illinois	
Indiana	
Maryland	-
Michigan	
Minnesota	
New York	
North Dakota	-
Rhode Island	-
South Dakota	-
Virginia	
Washington	-
Wisconsin	

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

Receipt

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 Duraclean International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. Only Duraclean International, Inc. is authorized to offer the sale of franchises in the United States.

If Duraclean International, 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, D.C. 20580 and the state agency listed on Exhibit C.

Vince Caffarello, Wilbur Gage, Danielle Canup, and Judy Fabbri are employees of Duraclean and registered as sales agents for Duraclean. The address is 220 Campus Dr., Arlington Heights, IL60004 and the telephone number is 800-251-7070.

Date of Issuance: March 30, 2023

Disclosure of agents for service of process is found at Exhibit D.

Duraclean authorizes the Attorney General State of Illinois 500 South Second Street, Springfield, Illinois 62706 to receive service of process for Duraclean.

I have received a disclosure document dated March 30, 2023 that included the following Exhibits:

- A Franchise Agreement & Related Materials
- State Addenda to Franchise Agreement
- Exhibits to Franchise Agreement;
- Exhibit 1 – Franchised Territory
- Exhibit 2 – Confidentiality/Non-Competition
- Exhibit 3 – Guarantee
- B Financial Statements
- C State Administrators
- D Agents for Service of Process
- E State Addenda to Franchise Disclosure
- F List of Franchisees
- G List of Former Franchisees
- H1 Franchisee Organizations We have Created, Sponsored or Endorsed
- H2 Independent Franchisee Associations
- I State Effective Dates
- J Guarantee
- K1 Initial Order
- K2 Duraclean Fees and Services Form
- K3 Table of Contents - Manuals
- L Receipt

PROSPECTIVE FRANCHISEE

Date Received: _____

If a business entity:

If an individual:

Name of Business Entity

Print Name

Signature of Authorized Partner, Member or Officer

Signature

Title

Print Name

KEEP A COPY FOR YOUR RECORDS. This disclosure document is also available in pdf format on our website, www.duraclean.com.

Receipt

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 Duraclean International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. Only Duraclean International, Inc. is authorized to offer the sale of franchises in the United States.

If Duraclean International, 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, D.C. 20580 and the state agency listed on Exhibit C.

Vince Caffarello, Wilbur Gage, Danielle Canup, and Judy Fabbri are employees of Duraclean and registered as sales agents for Duraclean. The address is 220 Campus Dr., Arlington Heights, IL60004 and the telephone number is 800-251-7070.

Date of Issuance: March 230, 2023

Disclosure of agents for service of process is found at Exhibit D.

Duraclean authorizes the Attorney General State of Illinois 500 South Second Street, Springfield, Illinois 62706 to receive service of process for Duraclean.

I have received a disclosure document dated March 30, 2023 that included the following Exhibits:

- A Franchise Agreement & Related Materials
- State Addenda to Franchise Agreement
- Exhibits to Franchise Agreement;
- Exhibit 1 – Franchised Territory
- Exhibit 2 – Confidentiality/Non-Competition
- Exhibit 3 – Guarantee
- B Financial Statements
- C State Administrators
- D Agents for Service of Process
- E State Addenda to Franchise Disclosure
- F List of Franchisees
- G List of Former Franchisees
- H1 Franchisee Organizations We have Created, Sponsored or Endorsed
- H2 Independent Franchisee Associations
- I State Effective Dates
- J Guarantee
- K1 Initial Order
- K2 Duraclean Fees and Services Form
- K3 Table of Contents - Manuals
- L Receipt

PROSPECTIVE FRANCHISEE

Date Received: _____

If a business entity:

If an individual:

Name of Business Entity

Print Name

Signature of Authorized Partner, Member or Officer

Signature

Title

Print Name

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