



FRANCHISE DISCLOSURE DOCUMENT 911 RESTORATION FRANCHISE INC.

A California corporation
7721 Densmore Avenue
Van Nuys, California 91406
(888) 243-6653
www.911restorationfranchise.com
miri@911restoration.com

911 Restoration Franchise Inc., a California corporation, offers franchises for 911 Restoration emergency response service businesses which provide emergency clean-up from fire damage, water damage, mold damage and mold inspections, carpet cleaning, duct cleaning and crawl space cleaning. We offer the rights for 3 different franchises in this Disclosure Document:

Traditional Franchise Program. Under the Traditional Franchise Program, you will sign a Franchise Agreement to operate a new 911 Restoration business in a geographic territory with a population of approximately 250,000 to 350,000 people. The total investment necessary to begin operation of a Traditional Franchise is \$110,100 to \$227,400. This includes \$55,000 that must be paid to the franchisor.

Conversion Franchise Program. Under the Conversion Franchise Program, you will sign a Franchise Agreement to obtain the right to convert an existing emergency response service business or a related business to a 911 Restoration business in a geographic territory with a population of approximately 250,000 to 350,000 people. The total investment necessary to begin operation of a conversion franchise is \$110,100 to \$227,400. This includes \$55,000 that must be paid to the franchisor.

Micro-Market Franchise Program. Under the Micro-Market Franchise Program, you will sign a Franchise Agreement to operate a new 911 Restoration business in a geographic territory with a population of approximately 100,000 to 249,999 people. The total investment necessary to begin operation of a Micro-Market Franchise is \$83,600 to \$218,400. This includes \$35,000 that must be paid to the franchisor.

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 the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Idan Shpizear or Miri Offir in our Franchise Department at 7721 Densmore Avenue, Van Nuys, California 91406; telephone: (818) 373-4880; miri@911restoration.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania

Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS APRIL 26, 2022

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about 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 D.
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 E 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 911 Restoration 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 its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a 911 Restoration franchisee?	Item 20 or Exhibit D lists current and former franchisees. 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 A.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by arbitration only in California. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in California than in your own state.
2. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Financial Condition**. The franchisor's financial condition as reflected in the financial statements (see Item 21) calls into question the franchisor's financial ability to provide services and support to you.

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

TABLE OF CONTENTS

Item	Description of Contents	Page Number
ITEM 1	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2	BUSINESS EXPERIENCE	3
ITEM 3	LITIGATION.....	4
ITEM 4	BANKRUPTCY	6
ITEM 5	INITIAL FEES	6
ITEM 6	OTHER FEES	9
ITEM 7	ESTIMATED INITIAL INVESTMENT	16
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	21
ITEM 9	FRANCHISEE'S OBLIGATIONS	25
ITEM 10	FINANCING	26
ITEM 11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS	
	AND TRAINING	28
ITEM 12	TERRITORY	36
ITEM 13	TRADEMARKS	38
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	40
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	41
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	42
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	42
ITEM 18	PUBLIC FIGURES	44
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	44
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	45
ITEM 21	FINANCIAL STATEMENTS	52
ITEM 22	CONTRACTS	52
ITEM 23	RECEIPTS	52

EXHIBITS

A	List of State Administrators and State Agents for Service of Process
B	Franchise Agreement (with Conversion Addendum)
C	State Specific Addenda
D	List of Current Franchisees and Franchisees Who Have Left the System
E	Financial Statements
F	Franchisee Compliance Certificate
G	Form of General Release
H	State Effective Dates
I	Receipts

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

911 Restoration Franchise Inc. (referred to in this Disclosure Document as “**911 Restoration**” “we,” “us,” or “our”) was formed as a California corporation on March 15, 2007. Our principal place of business is 7721 Densmore Avenue, Van Nuys, California 91406, and we do business under our corporate name and the Marks as described below. We do not do business or intend to do business under any other name. In this Disclosure Document, we refer to the person or entity that will be signing the Franchise Agreement (defined below) as “you,” “your,” or “franchisee,” and includes all franchise owners and partners, if you are a corporation, partnership or other entity. Our agents for service of process are disclosed in **Exhibit A**.

We have not offered franchises in any other line of business, and we do not engage in any other business activity, other than that we are the designated supplier for logoed shirts and promotional materials for our franchisees. We do not own or operate a business of the type being franchised. We began offering franchises in 2007.

Our Parents, Predecessors and Affiliates

We have no parents or predecessors. We have 1 affiliate: 911 Restoration Enterprises, Inc. (“**911 Enterprises**”). 911 Enterprises is a California corporation that was incorporated on March 13, 2003 and is headquartered at our principal place of business. 911 Enterprises owned one business of the type being franchised from March 2003 until December 2012 when it sold the business to a franchisee. 911 Enterprises has not offered franchises in this or any other line of business.

The Franchise

The “**Franchised Business**,” as described below, is established and operated under a comprehensive and unique system (the “**System**”). Our System includes programs for sales promotion, advertising programs, franchisee training, business administration, business operations methods, standards, product specifications, proprietary products, proprietary marks, confidential information, and other procedures and methods related to the operation of the Franchised Business, all of which may be changed, improved and further developed by us. Certain aspects of the System are more fully described in this Disclosure Document and in the Confidential Operations Manual (the “**Manual**”), which you should expect to evolve over time and to which you are granted access when you become our franchisee.

The Franchised Business provides emergency clean-up of fire damage, water damage, mold damage, sanitization services, construction, insulation and mold inspections, carpet cleaning, duct cleaning and crawl space cleaning under the name and mark “**911 Restoration**”. The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including the mark “**911 Restoration**”, together with other trade names, service marks, trademarks, logos, emblems and indicia of origin which are now designated and may in the future be designated by us in writing for use with the System (the “**Marks**” or “**Proprietary Marks**”), as further described in Item 13. Our franchisees are often people or businesses that are already in similar businesses who will convert their existing businesses to Franchised Businesses, although some franchisees have no experience in these industries at all prior to becoming franchises. We estimate that you will need approximately 1,000 square feet of warehouse space and 300 square feet of office space for your Franchised Business. Your office and warehouse must be located within the territory you purchase for your franchise. You will be called upon to provide the services that our System offers and you must respond accordingly. Your clients may

include retailers, commercial real estate managers/owners, homeowners, property managers, insurance companies, or others that are responsible for real property maintenance. You are required to operate your business 24/7/365 including holidays, as your services will often be required to be performed in the middle of the night.

We offer 3 separate franchises in this Disclosure Document, although we may not necessarily grant you the opportunity to purchase under any of these programs.

“Traditional Franchises” are offered to qualified candidates who are not currently operating a business similar or related to a Franchised Business. If you purchase a Traditional Franchise, you will sign our Franchise Agreement (**“Exhibit B”**) to own and operate a Franchised Business in an assigned territory (a **“Territory”**). Traditional Franchises have the option to obtain conditional rights to obtain franchises for additional geographic territories (each, an **“Additional Franchised Territory”**) for reduced initial franchise fees payable over 18 months in consideration for the payment of a \$5,000 deposit (the **“Deposit”**) to us, in advance, for each Additional Franchised Territory. Qualified candidates who desire to obtain Additional Franchise Territory will sign our Multi-Territory Deposit Amendment (the **“Deposit Amendment”**) to the Franchise Agreement for your first and (if applicable) second Additional Franchised Territory when you sign your Franchise Agreement for your first Territory, and will subsequently sign individual Franchise Agreements for each Additional Franchised Territory. You are not required to develop and open any Additional Franchised Territory. However, if you choose to acquire an Additional Franchised Territory, each Additional Franchised Territory must be opened by the deadline stated in your Multi-Territory Deposit Agreement. An Additional Franchised Territory will be considered to have been **“opened”** after the then-current Franchise Agreement for the Additional Franchised Territory is executed and business operations actually begin in the Additional Franchised Territory.

“Conversion Franchises” are offered to qualified candidates who are currently operating a business similar or related to a Franchised Business and who wish to convert their existing business into a Franchised Business for an assigned Territory. If you purchase a Conversion Franchise, you will sign our Franchise Agreement and our Conversion Addendum in the form attached as Exhibit I to the Franchise Agreement. Your existing business’s average annual gross revenue for the 3 prior years must exceed \$400,000 to qualify to purchase a Conversion Franchise.

“Micro-Market Franchises” are offered to qualified candidates who desire to operate a Franchised Business in a smaller Territory than the Territories for Traditional Franchises and Conversion Franchises. If you purchase a Micro-Market Franchise, you will sign our Franchise Agreement for your Territory.

“Multiple Franchise Owner” are offered to qualified candidates who desire to operate more than one Franchised Business. The number of franchises that can be operated by any one Franchise Owner varies and is determined by the Franchisor. As a Multiple Franchise Owner, the Franchisor allows consolidation of certain operating fees when the individual franchise territories are operated from one office and the territories are contiguous geographically. The number of franchises that can be operated under one branch office vary according to market and will be determined by the Franchisor. References in this Disclosure Document to **“Franchised Business”** and **“Franchised Businesses”** include **“Traditional Franchises,”** **“Conversion Franchises,”** **“Micro-Market Franchises,”** and **“Multiple Franchise Ownership”** unless otherwise stated.

Competition and Market

The market for emergency restoration and cleaning services is mature. You will offer restoration services to residential and commercial clients who have experienced damage due to fire, water, mold, etc., and

you will provide sanitization services and routine carpet and duct cleaning services to your clients. These services are available on a 24-hour basis and may be considered seasonal in some areas. You may also be interacting with insurance companies for these emergency services.

You will compete with small companies and national companies offering emergency restoration and cleaning services, which includes competing franchises such as Servpro and Service Master.

Industry Specific Laws

You must comply with any state or local licensing or regulatory requirements that may apply to the Franchised Business, which may include obtaining a contractor's license or mold remediation license. You must meet all applicable local, state, and Federal contracting laws that may apply to the Franchised Business. You should seek counsel or contact your state and local agencies for detailed information about applicable laws and regulations. There may be other laws of general applicability that could impact your operation.

During the term of your Franchised Business, you must comply with Institute of Inspection, Cleaning and Restoration Certification ("IICRC") guidelines and specifications. If you fail to follow IICRC guidelines and specifications, you may be required to re-take IICRC course at our sole discretion. More about the IICRC can be found at www.certifiedcleaners.org and www.iicrc.org.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer - Idan Shpizear

Mr. Shpizear has served as our Chief Executive Officer since June 1, 2014. Mr. Shpizear was our Co-Chairman from March 2007 until June 2014. Mr. Shpizear has been an owner of our affiliate, 911 Enterprises, since March 2003.

Director of Franchise Development and Field Operations – Michael Krawitz

Mr. Krawitz is our Director of Franchise Development and Field Operations and has served in that role since March 1, 2018. For the period from February 2012 to present, Mr. Krawitz has served as the owner of MKA Consulting, LLC in Highland Park, IL where he serves as a business consultant. From September 2015 to August 2016, Mr. Krawitz also served as the Senior Director for Franchise and Retail Operations with Zagg, Inc. in Salt Lake City, Utah.

Chief Operating Officer – Miri Offir

Ms. Offir is our Chief Operating Officer and has served in that role since August 2019. Ms. Offir has served as our Chief Marketing Officer from March 2015 through August 2019.

Michele LaMont – Director of Sales & Marketing

Ms. LaMont is our Director of Sales & Marketing and has served in that role since April 2021. From May 2020 through April 2021, Ms. LaMont was the Senior Marketing Manager with IHOP/Dine Brands in Glendale, CA. Between January 2020 and May 2020, Ms. LaMont was a stay at home mom in Los Angeles, CA. From March 2019 through January 2020, Ms. LaMont served as Senior Director of Marketing with Mayweather Boxing & Fitness in Los Angeles, CA.

ITEM 3 LITIGATION

Pending Actions:

911 Restoration Franchise, Inc. vs. Donald Burrell, April Burrell and 911 Restoration of Baltimore. No. 20VECV01505 (Cal. Super. Filed December 18, 2020) We filed suit against our franchisee, 911 Restoration of Baltimore, Inc. and its owners Donald Burrell and April Burrell (collectively, the “Defendants”) for trademark infringement. We have asked the court to enter a declaration that we owe no obligations to the Defendants and for injunctive relief to stop the Defendant’s from holding themselves out and using 911 Restoration trademarks and for attorneys’ fees and costs. As of the issuance date of this Disclosure Document, the case is in the discovery phase.

911 Restoration Enterprises, Inc. v. Bresette, et al. No PC-2021-05425 (Superior Court Rhode Island. Filed August 18, 2021) We filed suit against our former franchisee alleging breach of contract; trademark infringement in violation of the Lanham Act; false designation of origin in violation of the Lanham Act and common law; unfair competition under the Lanham Act; and unfair competition and false advertising in violation of the Lanham Act. We have asked the court to enter an emergency suspension without due process of law; injunctive relief; and an appeal of agency decision. As of the issuance date of this Disclosure Document, the case is in the discovery phase.

Prior Actions:

911 Restoration Franchise, Inc. vs. Itzhak Cohen, Igal Cohen, Tomer Feldman and Does 1-25. (No. 20ST-CV-33091 (Cal. Super. Filed August 28, 2020). We filed suit against our franchisees Itzhak Cohen, Igal Cohen and Tomer Feldman (collectively, the “Defendants”) for breach of contract, fraud, and unfair and fraudulent business acts and practices. On December 9, 2020, the matter was settled out of court wherein the Defendants were required to cease operating their franchised business as of December 31, 2020, we were permitted to offer Defendants franchise for sale, we agreed to pay to Defendants an amount between \$200,000 and \$400,000, Defendants agreed not to compete with us or solicit any national or regional accounts through December 31, 2021.

Donald Burrell, April Burrell and 911 Restoration of Baltimore, Inc. vs. 911 Restoration Franchise, Inc., Idan Shpizear, Peleg Lindenberg and Shay Kalmanovich. (AAA Case No. 01-20-0000-4384) On February 6, 2020, 911 Restoration of Baltimore, Inc., and its owners, Donald Burrell and April Burrell (collectively “Claimants”), filed a demand for arbitration against us, Idan Shpizear, Peleg Lindenberg and Shay Kalmanovich (collectively “Respondents”) claiming violation of the Maryland Franchise Act, detrimental reliance, unjust enrichment, quantum meruit, intentional misrepresentation, negligent misrepresentation and seeking damages of \$500,000 along with attorneys’ fees, interest and costs. On April 23, 2020, Respondents filed a counterclaim against Claimants alleging breach of contract, trademark infringement, tortious interference and unjust enrichment. On October 15, 2020, the American Arbitration Association terminated the proceedings in this matter because neither Claimant nor Respondent had made the required deposits.

State of California. On September 17, 2014, the Company filed a franchise registration application with the California Department of Business Oversight (“DBO”) in which the Company acknowledged the sale of 8 unregistered franchises in the State of California in violation of the California Franchise Investment Law (the “California Law”). The DBO required the Company to submit a Notice of Violation to the DBO for approval, which the Company filed on February 12, 2015, advising the 8 California franchisees that they had the right to demand rescission of their Franchise Agreements or bring actions against the Company for rescission within 90 days after receipt of the Notice. The DBO approved the

Notice of Violation on May 13, 2015 and the Notices of Violation were sent to the California franchisees. None of the California franchisees requested rescission of their Franchise Agreements or filed actions against the Company and are now barred by California Law from doing so.

State of Illinois. On June 20, 2014, the Company filed a franchise registration application with the Illinois Office of Attorney General (“OAG”). On July 18, 2014, the Company acknowledged to the OAG that the Company sold one franchise in Illinois in violation of the Illinois Franchise Disclosure Act (the “**Illinois Law**”). The OAG required the Company to deliver a Notice of Violation to the Company’s Illinois franchisee notifying the franchisee that it had the right to demand rescission of the Franchise Agreement or bring an action against the Company for rescission within 90 days after receipt of the Notice. The Notice of Violation was sent to the Illinois franchisee. The Illinois franchisee did not request rescission of its Franchise Agreement or file an action against the Company and is now barred by Illinois Law from doing so.

State of Maryland Determination, Case Number 2014-0354. Following the Company’s filing of a franchise registration application with the Maryland Office of the Attorney General on June 23, 2014, the Attorney General’s Office alleged that in February 2012 the Company offered and sold a franchise in Baltimore, Maryland before the Company had an effective franchise registration in Maryland in violation of the Maryland Franchise and Disclosure Law (the “**Maryland Law**”). On October 27, 2014, the Company voluntarily entered into a Consent Order with the Attorney General (the “**2014 Maryland Consent Order**”) and agreed (i) to cease and desist from the offer and sale of franchises in violation of Maryland Law; (ii) to diligently pursue the completion of the Company’s application for registration of the Company’s franchise offering in Maryland; (iii) to send the Company’s Maryland franchisee a copy of the Consent Order and the Company’s Franchise Disclosure Document once it was registered; and (iv) to offer the Maryland franchisee an opportunity to rescind its Franchise Agreement with the Company and, if rescission was accepted, to make the rescission payments to the Maryland franchisee within 30 days of its acceptance of the offer to rescind. The Company subsequently sent a copy of the Consent Order and the Company’s Franchise Disclosure Document to the Maryland franchisee. The Maryland franchisee did not request rescission of its Franchise Agreement or file an action against the Company and is now barred by Maryland law from doing so. The Attorney General’s Office also required the Company’s Chief Executive Officer and Chief Operations Officer to complete a Franchise Sales & Compliance Program. The Company’s Chief Executive Officer completed the Franchise Sales & Compliance Program on March 6, 2015 and the Company’s Chief Operations Officer completed the Franchise Sales & Compliance Program on March 9, 2015.

State of Maryland Determination, Case Number 2016-0330. In July 2016, the Maryland Office of the Attorney General alleged that we failed to comply with the 2014 Maryland Consent Order because we did not send our Maryland franchisee a notice of rescission as required by the 2014 Maryland Consent Order in violation of Maryland Law. On February 10, 2017, the Company voluntarily entered into a Consent Order with the Attorney General (the “**2016 Maryland Consent Order**”) and agreed (i) to cease and desist from the offer and sale of franchises in violation of Maryland Law; (ii) to send the Maryland franchisee a copy of our current Franchise Disclosure Document; (iii) to send the Maryland franchisee a rescission offer in the form approved by the Attorney General notifying the Maryland franchisee that the Maryland Franchisee was being given an opportunity to rescind his franchise agreement; and (iv) to make the rescission payments to the Maryland franchisee within 30 days of its acceptance of the offer to rescind if the Maryland franchisee accepted our rescission offer. The Maryland franchisee accepted our rescission offer.

State of Washington Determination, Order Number S-14-1576-15-CO01. Following the filing of a franchise registration application with the Washington Department of Financial Institutions, Securities Division, on September 18, 2014, the Department of Financial Institutions alleged that the Company

offered and sold a franchise in Washington in February 2009 before the Company had an effective franchise registration in Washington in violation of the Franchise Investment Protection Act of Washington (the “**Washington Law**”). On February 25, 2015, the Company voluntarily entered into a Consent Order with the Department of Financial Institutions, without admitting or denying the Department’s allegations, and the Company agreed to cease and desist from offering or selling franchises in violation of the Washington Law, from violating the Company’s disclosure obligations under the Washington Law and from violating the anti-fraud provisions of the Washington Law, and paid the Department of Financial Institutions \$1,000 for its expenses incurred in investigating the alleged violations of Washington Law.

State of Washington Determination, Order Number S-20-2971-CO01. Following the renewal of a franchise registration application with the Washington Department of Financial Institutions, Securities Division, on August 7, 2019, the Franchisor emailed a franchise disclosure document to 2 residents of Washington using an outdated version of the franchise disclosure document. Subsequently, on November 28, 2019 and November 29, 2019, Franchisor executed franchise agreements with said Washington residents. In July 2020, Franchisor self-reported its violation of the Franchise Investment Protection Act of Washington, and subsequently provided additional information and documents to the Securities Division. On October 21, 2020, Franchisor voluntarily entered into a Consent Order with the Department of Financial Institutions and agreed to cease and desist from offering or selling franchises in violation of the Washington Law and paid the Department of Financial Institutions \$2,000 for its expenses incurred in investigating the alleged violations of Washington Law.

Virginia Investigation, Case No. SEC-2015-00043. On March 10, 2015, the Company received a letter from the Virginia State Corporation Commission, Division of Securities and Retail Franchising, stating that it was investigating the Company’s potential violations of the Virginia Retail Franchising Act (the “**Act**”). On November 19, 2015, the Company voluntarily entered into a Settlement Order with the Virginia State Corporation Commission and agreed (i) to pay the Treasurer of Virginia \$5,000 in monetary penalties; (ii) to pay the Treasurer of Virginia \$2,000 to defray the costs of its investigation; (iii) to provide a copy of the Settlement Order to current Virginia franchisees by certified mail; (iv) to provide certified mail receipts to the Division as evidence of the Virginia franchisees’ receipt of the Settlement Order within 60 days of the entry of the Settlement Order; and (v) that the Company will not violate the Act in the future. The Company subsequently sent copies of the Settlement Order to the Virginia franchisees and thereafter provided the Division with certified mail receipts as evidence of the Virginia franchisees’ receipt of the Settlement Order within 60 days of the entry of the Settlement Order. The Virginia franchisees did not respond to the Company following their receipt of the Settlement Order.

With these exceptions, no litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Initial Franchise Fee

You must pay us a non-refundable initial franchise fee (an “**Initial Franchise Fee**”) when you sign our Franchise Agreement. However, if in connection with your franchise you are obtaining a loan through

the US Small Business Administration (“SBA Loan”), if your SBA Loan is not funded in full within 90 days after you sign your Franchise Agreement, then we have the right, but not the obligation, to cancel your Franchise Agreement. If we exercise this right, then we will return to you 50% of any deposit actually paid by you towards the Initial Franchise Fee. After this 90-day period, if your SBA Loan has not funded we have two options, either refund 50% of the Franchise Fee Deposit to you or extend the 90 days to any number of days we choose. Additionally, we reserve the right to continue to market your chosen territory for sale until your SBA loan is fully funded. If we sell your territory before your SBA Loan is fully funded, we will grant you the right to open in another territory. The right to make this extension is solely our right.

Traditional Franchise. The Initial Franchise Fee for a Traditional Franchise is \$49,000 and is payable in accordance with the above.. The population in your Territory will range from approximately 250,000 to 350,000 people. We will assign your Territory when you sign your Franchise Agreement.

Conversion Franchise. The Initial Franchise Fee for a Conversion Franchise is \$49,000 and is payable in accordance with the above. The population in your Territory will range from approximately 250,000 to 350,000 people. We will assign your Territory when you sign your Franchise Agreement.

Micro-Market Franchise. The Initial Franchise Fee for a Micro-Market Franchise is \$29,000 and is payable in accordance with the above.. The population in your Territory will range from approximately 100,000 to 249,999 people. We will assign your Territory when you sign your Franchise Agreement.

We generally determine the population in your Territory from the latest population estimates prepared by the U.S. Census Bureau; however, we may use a substitute or successor source of population information.

Initial Training Fee

You must pay us a non-refundable initial training fee of \$2,500 (an “**Initial Training Fee**”) for 2 trainees when you register for our initial training program (the “**Initial Training Program**”). You must pay us a non-refundable Initial Training Fee of \$500 for each additional trainee. If you are an existing franchisee acquiring an additional Territory, you will not be required to attend or pay for our Initial Training Program.

Business Launch Fee

You must pay us a non-refundable business launch fee of \$1,500 (a “**Business Launch Fee**”) when you register for our Initial Training Program. The Business Launch Fee is payment for our guidance and assistance in the opening of your Franchised Business.

Reduced Initial Fees for Purchase of Franchises for Multiple Individual Territories

In our discretion, we may award up to 3 franchises to qualified candidates for reduced Initial Franchise Fees. As of the issuance date of this Disclosure Document, the Initial Franchise Fee currently charged for a second franchise is \$44,000 and the Initial Franchise Fee currently charged for a third franchise is \$39,000. You must sign a separate Franchise Agreement for each franchise. We will determine the actual Initial Franchise Fee payable for a second and third franchises when those franchises are awarded. In addition to the reduced franchise fees, franchise owners will also receive reduced per unit operating fees with regard to the technology fee, marketing investment requirements, and other expenses outlined in Item 7.

Deposit Amendment to Franchise Agreement

You must pay us a \$5,000 Deposit ('the **Deposit**'), in advance, for each Additional Franchised Territory when you sign your Franchise Agreement for your first Territory and your Deposit Amendment in the form attached as Exhibit J to our Franchise Agreement. You will sign an individual Franchise Agreement for each Additional Franchised Territory. The Franchise Fees payable for additional territories will be in the amounts stated in the Paragraph above.

The terms of the Franchise Fee payable for an Additional Franchised Territory are as follows:

- (i) Payment must commence within three (3) months of opening the additional location;
- (ii) A 10% down payment is required (the \$5,000 Deposit will be credited towards this amount); and
- (iii) Equal monthly payments over an eighteen (18) month period for the remaining balance, with interest at the prime rate of interest plus 2 points.

You are not required to develop and open any Additional Franchised Territory. However, if you choose to acquire an Additional Franchised Territory, each Additional Franchised Territory must be opened by the deadline stated in your Deposit Amendment. The Deposit is non-refundable in whole or in part.

Purchases of Materials. As part of your initial inventory and operating supplies and computer system, before you attend New Franchise Owner training, you must purchase from our approved supplier logoed uniform apparel for you and your employees and promotional materials and printed marketing materials. We estimate the initial cost of these items will be \$200 to \$2,000 depending on the number of employees on your initial staff. This fee is non-refundable once paid.

Veteran's Discount. We may reduce our initial franchise fee by 35% for the first Franchised Business purchased by a qualified veteran of the United States Armed Services if he or she (i) purchases the Franchised Business franchise individually or (ii) will own a majority interest in the entity that signs the Franchise Agreement as franchisee.

Refunds, Different Fees and Financing. We may reduce, defer or waive the Initial Franchise Fee or Deposit if and when we determine, it is warranted by a unique or compelling situation. Except as specified in Item 10 of this Disclosure Document, we generally do not provide financing for the initial franchise fee.

There are no other purchases from or payments to us that you must make before you open for business.

[Remainder of page intentionally left blank]

**ITEM 6
OTHER FEES**

Fees ⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee for a Traditional Franchise and a Micro-Market Franchise ⁽²⁾	10% of your Gross Revenue for “Restoration Services” ; 3% of your Gross Revenue for “Non-Restoration Services” .	Payable on the 15 th day of each month for the preceding calendar month by withdrawal from your designated bank account via electronic funds transfer (“EFT”) payment.	Royalty Fees are calculated based on Gross Revenue for the previous calendar month. Non-Restoration Services include construction, repair, remodeling or reconstruction services only. All other services are considered Restoration Services.
Royalty Fee for a Conversion Franchise ⁽²⁾	<u>Royalty for Restoration Services</u> If the average annual Gross Revenue for your existing business during the previous 3 years was between \$400,000 and \$499,999, your Royalty Fee will be: 1st year: 8% royalty 2nd year: 9% royalty 3rd year: 9.5% royalty 4th year and each year thereafter: then-current royalty for a Traditional Franchise. If your average annual Gross Revenue for the previous 3 years was between \$500,000 and \$749,999, your Royalty Fee will be: 1st year: 5% royalty 2nd year: 7% royalty 3rd year: 9 % royalty	Payable on the 15 th day of each month for the preceding calendar month	Royalty Fees are calculated based on Gross Revenue for the previous calendar month.

Fees ⁽¹⁾	Amount	Due Date	Remarks
	4th year and each year thereafter: then-current royalty for a Traditional Franchise. If your average annual Gross Revenue for the previous 3 years was between \$750,000 and \$999,999, your Royalty Fee will be: 1st year: 4% royalty 2nd year: 6% royalty 3rd year: 8 % royalty 4th year and each year thereafter: then-current royalty for a Traditional Franchise. If your average annual Gross Revenue for the previous 3 years is \$1,000,000 or greater: 1st year: 2% royalty 2nd year: 3% royalty 3rd year: 5 % royalty 4th year and each year thereafter: 10% royalty <u>Royalty on Non-Restoration Services:</u> If the average annual Gross Revenue for your existing business during the previous 3 years was between \$400,000 and \$499,999: 1st year: 3% royalty 2nd year and each year thereafter: 3% or the then-current royalty for a Traditional Franchise. If your average annual Gross Revenue for the previous 3 years was		

Fees ⁽¹⁾	Amount	Due Date	Remarks
	between \$500,000 and \$749,999: 1st year: 2.5% royalty 2nd year and each year thereafter: 3% or the then-current royalty for a Traditional Franchise. If your average annual Gross Revenue for the previous 3 years was between \$750,000 and \$999,999: 1st year: 1.5% royalty 2nd year: 2.5% royalty 3rd and each year thereafter: 3% or the then-current royalty for a Traditional Franchise. If your average annual Gross Revenue for the previous 3 years is \$1,000,000 or greater: 1st year: 1% royalty 2nd year: 2% royalty 3rd year and each year thereafter: 3% or the then-current royalty for a Traditional Franchise.		
Local Advertising/Business Development	\$500 per month	As incurred on monthly basis	You may only use promotional materials you have purchased from us or that we have provided to you.
Digital Marketing	You must spend at least \$100 per day per territory on digital marketing focused on lead development through currently approved sites for SEO, social media, and PPC campaigns. If you are operating	As incurred	We will provide guidance on specific marketing spending and may allocate the minimum required investment differently from market to market.

Fees ⁽¹⁾	Amount	Due Date	Remarks
	multiple franchises, this requirement may be reduced and will be determined / provided prior to signing additional agreements.		
Advertising Cooperative (3)	If established, based on your location and market, not to exceed 3% of Gross Revenue	As determined by the members	If an advertising cooperative is formed for your area, you are not required to join the cooperative.
National Advertising Fund Fee (4)	If established, 1% of Gross Sales	Payable together with the Royalty Fee	See Item 11 for a detailed discussion about the Marketing Funds.
Additional or Replacement Supervisorial or Managerial Personnel Initial Training Fee	Our then-current training fee, plus expenses <u>Current training fee</u> \$500 for technicians and \$1,500 for inspectors	Before training begins	We will charge this fee if you send replacement supervisorial or managerial personnel to us for initial training during the term of your Franchise Agreement. You must also pay for all expenses incurred by your supervisorial or managerial personnel, including travel, lodging, meals and wages.
Transfer Fee	\$5,000	At time of transfer	Payable in lump sum
Renewal Fee	\$2,500	At time of renewal	Payable in lump sum
Late Fees	\$50 per day	Due with overdue amount or on the date we receive the sales report and bank statement	We will charge you a late fee of \$50 for each day any payment due to us is late. We will also charge you an additional late fee of \$50 each day your

Fees ⁽¹⁾	Amount	Due Date	Remarks
			sales report and bank statement are late.
Audit Fee	Will vary under the circumstances (estimated to be between \$5,000 and \$8,500)	When billed	If we audit your books and records, you must pay us reimbursement for all costs that we incur related to the audit, including all fees, travel, lodging and other related expenses.
Technology Fees	\$195 monthly. Set-up fee for CRM is a one-time fee of \$300; 911 Restoration emails incur a yearly charge of \$50 per email per year	\$195 Payable monthly; \$300 CRM set up fee is a one-time charge; \$50 per email is annually per 911 Restoration email address	The technology fee covers access to our customer relationship management (“CRM”) software and access to internal programs which may change from time to time. This fee also covers enhancements in our technology platforms.
Computer System Maintenance	\$0 to \$600	Payable annually	The estimated cost of maintenance, updating, upgrading or support contracts for the computer system. This is recommended, but not required.
Proprietary Products	Will vary under the circumstances	As Incurred	You must purchase your ongoing inventory of logoed uniform shirts, promotional materials and printed advertising materials from our approved supplier. The frequency and cost of

Fees ⁽¹⁾	Amount	Due Date	Remarks
			your orders will depend the number of employees and on your advertising initiatives.
Insurance Premiums	Insurance premiums to maintain recommended coverage as a Franchise Owner.	As Incurred	If you do not maintain required insurance coverages, we may obtain insurance on your behalf solely at your expense.
Costs and 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 must reimburse us if we are held liable for claims arising from your operations.
Liquidated Damages	See note 5	15 days after termination	
Supplier Evaluation	Will vary under circumstances, but not to exceed \$500	As incurred	If we issue a list of approved suppliers, this will cover the cost we incur in determining our approval of an unapproved supplier.

- (1) All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, these fees are imposed uniformly on all Franchisees. Except as specifically stated above, the amounts given may be due to changes in market conditions, our cost of providing services and future policy changes.
- (2) For the purposes of determining the Royalty Fees to be paid under the Franchise Agreement, **"Gross Revenue"** means all fees received by you (including actual deposits in your bank accounts as well as undeposited cash receipts) from, through, by or on account of the operation of your Franchised Business, whether received in cash, in services or in kind, less: only (i) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers and actually paid by you to governmental authorities; and (ii) the amount of any documented refunds, credits and allowances given in good faith to customers by you. You must report all Gross Revenue for each month, without any deductions whatsoever, even if you have incurred any deductible **"Allowable Subcontractor Expenses"** in any month.

No expenses incurred by you for performing Non-Restoration Services are deductible from Gross Revenue. For sake of clarification, no expenses whatsoever are deductible from any royalties that are payable at 3%.

“Allowable Subcontractor Expenses” means amounts you actually pay to unaffiliated electricians, plumbers, moving companies and certified mold testing vendors and amounts you actually pay for commercial desiccants and the rental of heavy and specialty equipment, such as commercial generators, lifts, air conditioners, and the fuel to operate the same, but do not include payments for services that you must normally perform yourself as Restoration Services. In order to qualify as a Subcontractor Expense, the subcontractor to whom amounts are paid cannot be owned by or affiliated in any way with the franchise or any person that either owns the franchise or is related in any way to the owner of the franchise. We may request proof of ownership of the subcontractor in order to determine if the expense is a deductible Subcontractor Expense. Provided you provide us with all required supporting documentation (including all supporting invoices) we require with your monthly Gross Revenue Report, we may credit your deductible Allowable Subcontractor Expenses against the Royalty Fees you owe us for Restoration Services.

All fees are payable to us by electronic funds transfer (EFT) or other automatic payment mechanism we designate and are non-refundable. Your Royalty Fees are due on the 15th of each month based on Gross Revenues for the preceding calendar month.

Your failure to timely provide us your monthly Gross Revenue Report by the 10th day of each month is a default under your Franchise Agreement.

- (3) The members of the cooperative will, by majority vote, establish the amount each member must contribute to the cooperative and the frequency of contributions. If any 911 Restoration businesses owned and operated by us in a cooperative area participate in the cooperative, we will have the same voting rights as other cooperative members. Each Franchised Business will have one vote in the cooperative.
- (4) We may establish and administer an Advertising Fund on behalf of the System (see Item 11) to provide national or regional creative materials for the benefit of the System.
- (5) If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by 24 (the number of months in 2 full years); or (b) the number of months remaining in the term of the Franchise Agreement, had it not been terminated, whichever is greater.

[Remainder of page intentionally left blank]

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TRADITIONAL OR CONVERSION FRANCHISE				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ⁽¹⁾	\$49,000	Lump sum	On signing Franchise Agreement	Us
Leasehold Improvements ⁽²⁾	\$0 to \$5,000	As Arranged	As Agreed	Approved Contractor
Equipment, Furnishings and Fixtures ⁽³⁾	\$30,000 to \$50,000	As Arranged	As Agreed	Approved Suppliers
Service Vehicle ⁽⁴⁾	\$1,500 to \$35,000	As Arranged	As Arranged	Approved Suppliers
Signage ⁽⁵⁾	\$1,000 to \$3,000	As Arranged	As Incurred	Approved Suppliers
Rent (3 months) ⁽⁶⁾	\$0 to \$4,500	As Arranged	As Arranged	Lessor, Landlord
Initial Inventory and Operating Supplies ⁽⁷⁾	\$5,000 to \$10,000	As Arranged	As Arranged	Us and Approved Suppliers
Security Deposits ⁽⁸⁾	\$0 to \$1,500	As Arranged	As Incurred	Landlord, Utility Companies
Insurance (3 months) ⁽⁹⁾	\$1,500 to \$2,700	As Arranged	As Arranged	Insurance Companies
Business Launch Fee ⁽¹⁰⁾	\$1,500	Lump Sum	When You Register for Our Initial Training Program	Us
Initial Training Fee ⁽¹¹⁾	\$2,500	Lump Sum	When You Register for Our Initial Training Program	Us
Travel and Living Expenses While Training ⁽¹²⁾	\$0 to \$3,500	As Arranged	As Incurred	Airlines, Hotels, Restaurants, etc.
Computer System ⁽¹³⁾	\$0 to \$2,000	As Arranged	As Incurred	Approved Suppliers and Us (for Software)
Permits/Licenses ⁽¹⁴⁾	\$0 to \$2,000	As Arranged	As Required	State and Local Government

TRADITIONAL OR CONVERSION FRANCHISE				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Professional Fees ⁽¹⁵⁾	\$3,000 to \$5,000	As Arranged	As Arranged	Attorney, Accountant
Additional Funds for three to six months ⁽¹⁶⁾⁽¹⁸⁾	\$15,000 to \$50,000	As Arranged	As Required	Third Parties
Telephone ⁽¹⁷⁾	\$100 to \$200	As Arranged	As Required	Utility Companies
Total⁽¹⁸⁾	\$110,100 to \$227,400			

MICRO-MARKET FRANCHISE				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ⁽¹⁾	\$29,000	Lump sum	On signing Franchise Agreement	Us
Leasehold Improvements ⁽²⁾	\$0 to \$5,000	As Arranged	As Agreed	Approved Contractor
Equipment, Furnishings and Fixtures ⁽³⁾	\$25,000 to \$50,000	As Arranged	As Agreed	Approved Suppliers
Service Vehicle ⁽⁴⁾	\$1,500 to \$35,000	As Arranged	As Arranged	Approved Suppliers
Signage ⁽⁵⁾	\$1,000 to \$3,000	As Arranged	As Incurred	Approved Suppliers
Rent (3 months) ⁽⁶⁾	\$0 to \$4,500	As Arranged	As Arranged	Lessor, Landlord
Initial Inventory and Operating Supplies ⁽⁷⁾	\$5,000 to \$20,000	As Arranged	As Arranged	Us and Approved Suppliers
Security Deposits ⁽⁸⁾	\$0 to \$4,500	As Arranged	As Incurred	Landlord, Utility Companies
Insurance (3 months) ⁽⁹⁾	\$0 to \$2,700	As Arranged	As Arranged	Insurance Companies
Business Launch Fee ⁽¹⁰⁾	\$1,500	Lump Sum	When You Register for Our Initial Training	Us

MICRO-MARKET FRANCHISE				
Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
			Program	
Initial Training Fee ⁽¹¹⁾	\$2,500	Lump Sum	When You Register for Our Initial Training Program	Us
Travel and Living Expenses While Training ⁽¹²⁾	\$0 to \$3,500	As Arranged	As Incurred	Airlines, Hotels, Restaurants, etc.
Computer System ⁽¹³⁾	\$0 to \$2,000	As Arranged	As Incurred	Approved Suppliers and Us (for Software)
Permits/Licenses ⁽¹⁴⁾	\$0	As Arranged	As Required	State and Local Government
Professional Fees ⁽¹⁵⁾	\$3,000 to \$5,000	As Arranged	As Arranged	Attorney, Accountant
Additional Funds for three to six months ⁽¹⁴⁾⁽¹⁶⁾	\$15,000 to \$50,000	As Arranged	As Required	Third Parties
Telephone ⁽¹⁵⁾	\$100 to \$200	As Arranged	As Required	Utility Companies
Total⁽¹⁶⁾	\$83,600 to \$218,400			

In general, none of the expenses listed in the above chart are refundable, except any security deposits may be refundable. We may offer to finance up to 50% of your initial franchise fee. See Item 10 for a further discussion of seller assisted financing.

1. Initial Franchise Fee. The initial franchise fee is discussed in Item 5. The table for Traditional and Conversion Franchises estimates that you will buy a territory with a population between 250,000 to 350,000. The table for Micro-Market Franchises estimates that you will buy a territory with a population between 100,000 to 249,999.
2. Leasehold Improvements. These costs will vary considerably depending on the size of your facility, location, local labor laws, local building codes and shipping costs. Conversion franchisees should have minimal, if any, improvements to meet our requirements.

3. Equipment, Furnishings and Fixtures. You will need to purchase a defined opening package of equipment which includes the following equipment: dehumidifiers, air scrubbers, air movers, consumables, and mold inspection kit. You must also purchase office furniture, including a desk, chair, file cabinets and phone system. Conversion franchisees may not have to purchase these items.
4. Service Vehicle. You must purchase or lease a van or truck for your Franchised Business. The estimate in the above chart assumes that you will purchase the vehicle. If you choose to lease the vehicle, your initial expenses may be lower. We must approve of your vehicle and it must be lettered or painted according to our specifications. Your vehicle may not be more than 4 years old unless previously approved by us.
5. Signage. The estimate includes the cost of an exterior sign for your rented space as well as the cost of lettering your service vehicle.
6. Rent. Traditional Franchises and Conversion Franchises will need approximately 1,000 square feet of warehouse space, including 300 square feet of office space for your Franchised Business. Your office and warehouse must be within the Territory you purchase. We may require you to have an office, in our discretion. However, if we do require you to open an office, we agree that said requirement will be waived for the first six (6) months you are open for business. We will determine on a case-by-case basis whether Micro-Market Franchises will need to obtain warehouse and office space for the Franchised Business.
7. Initial Inventory and Operating Supplies. You will purchase our initial and ongoing inventory of logoed uniform shirts, promotional and marketing materials from us. This range depends on your staff size and advertising initiatives.
8. Security Deposits. You may have to provide security deposits for your rented space as well as for your utilities. The requirement to provide deposits will depend, in part, on your particular circumstances and your creditworthiness.
9. Insurance. These estimates are for your monthly insurance premiums. Some insurance companies require premiums be paid quarterly, semi-annually, or annually.
10. Business Launch Fee. You will pay us a Business Launch Fee of \$1,500, which is payable when you first sign the Franchise Agreement. The fee includes guidance and assistance in planning and launching your business. Materials supplied generally include customized websites, social media, dedicated telephone numbers, plans, marketing collateral, customer lists / targets and appointment setting services from an approved vendor. If you purchase multiple franchises under a Multiple Franchise Ownership, you will only be required to pay 1 Business Launch Fee.
11. Initial Training Fee. You must pay us an Initial Training Fee for 2 trainees when you register for the Initial Training Program. If you are an existing franchisee acquiring an additional Territory, you will not be required to attend or pay for our Initial Training Program. If you purchase multiple franchises under a Multiple Franchise Ownership, you will only be required to pay 1 Initial Training Fee.
12. Travel and Living Expenses While Training. We will provide our initial training program to 2 supervisory or managerial personnel. The low end of the estimate assumes that your supervisory or managerial employees live within driving distance. The high end of the estimate assumes that you will need to travel and arrange accommodations to attend initial training.

Your actual costs will depend on the distance your personnel must travel and the accommodations you choose.

13. Computer System. You must purchase a computer system and maintain a high speed internet connection for your computer system. The low-end assumes your existing computer system is no older than 2 years old and meets our specifications. You must purchase and use the required CRM software designated by us, as well as QuickBooks and Xactimate. Conversion franchisees may not incur this expense if we determine that their existing computer systems meet our requirements. See Item 11 for a further discussion of the computer system.
14. Permits/Licenses. You may need to have a contractor's license. In addition, you must have at least one member of your staff that has a mold remediation license (IICRC Certification), as well as any other business permits that may be required by the state, county, and/or town in which your Franchised Business is located.
15. Professional Fees. We strongly recommend that you engage the services of an attorney and/or accountant to assist you in evaluating this franchise offering. You may also wish to use an attorney to assist you in lease negotiations and/or to form an entity to own the franchise. Your costs may vary depending on how much you rely on your chosen advisors and the hourly rates your advisors charge.
16. Additional Funds. You will need additional capital to support on-going expenses, such as payroll and utilities, if these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing required expenses for the initial phase of the business, which we calculate to be three to six months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. You should carefully review these figures with a business advisor before you decide to purchase the franchise. You should consider factors such as the cash outlays and probable losses that you might incur in the initial months after you open your Franchised Business. These are only estimates and your actual costs may vary depending on the actual rental prices in your area, and other site-specific requirements or regulations. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee.
17. Telephone. Before Commencement of the Business Operation, you must purchase a telephone number for the Franchised Business. You acknowledge and agree that the telephone number shall be our sole property.
18. We relied on our experience in franchising since 2008 to compile these estimates, and the experience of our franchisees if and to the extent that they shared this information with us. You should carefully review these figures with a business advisor before you decide to buy the franchise. We may, in our sole discretion, offer to finance up to 50% of your initial franchise fee. If we provide financing, the minimum down payment is 50% of your initial franchise fee. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness, and the collateral and lending policies of financial institutions from which you request a loan. These are only estimates and your actual costs may vary based on factors that include the actual rental prices in your area, and other site-specific requirements or regulations.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase the required logoed uniform shirts, promotional materials, such as pens, keychains and giveaways, and all printed marketing materials from one of our preferred vendors; however, you may purchase all equipment, supplies, inventory and accessories, office supplies and materials required for the operation of your Franchised Business from a supplier of your choice. Neither we nor any of our officers hold any interest in our preferred vendors.

You must purchase, use and offer the designated equipment, Technology, Products and Services we specify. **“Products”** and **“Services”** means goods, products and services designated by us from time-to-time for use, sale or otherwise to be provided from your 911 Restoration Franchised Business.

You must operate your Franchised Business in compliance with the then-current System and the Manuals at your expense, including use of any specified equipment, Products and Services, computer hardware and software; supplier programs and operating systems; signs, logos, designs and advertising/marketing materials and forms; website designs and formats; and other items.

We have identified various suppliers of designated Products and/or Services that your Franchised Business must use or provide and which meet our standards and requirements. You must purchase all goods and services for your Franchised Business from suppliers approved by us, unless otherwise permitted by us or as provided in the Manuals. Designated suppliers may include, and may be limited to, us and/or affiliated companies. We and/or any of our affiliated companies may receive revenues from items that you are required to buy from us or from designated suppliers.

We are a designated supplier for certain Services, including training services, grand opening materials, certain inventory, and marketing collateral. Items sold by us may include a markup over our cost to cover directly related expenses and our profit. We may choose to be the designated supplier for other items if we determine that it is in the best interest of the System. We are not the only approved supplier of these products and services, and you are not required to purchase these items from us. During the fiscal year ending December 31, 2021, we had no revenue from the sale of these items to our franchisees.

We will periodically issue specifications and standards for products to our franchisees in the manuals or otherwise in writing. We may delete, substitute, modify or add to the Products/Services/suppliers, and may select a supplier on the basis of whatever requirements we find appropriate. Requirements can vary and may relate to frequency of delivery, product life and quality; standards of service; as well as payments, contributions or other consideration being paid to us or our Affiliates, and other criteria.

You must notify us in writing if you want to purchase, use or offer any items that are not previously approved, or if you propose to use any supplier who has not previously been approved for the proposed item. You will need to submit to us any pertinent information we require, specifications, and samples requested. We will not charge you any fee for our review and evaluation of any proposal. You will be notified within a reasonable time (not to exceed 30 days) whether or not you are authorized to purchase or use the proposed items or to deal with the proposed supplier, and our approval will not be unreasonably withheld. We reserve the right to re-inspect any supplier to ensure that the supplier continues to conform to our reasonable specifications and standards. If a proposed supplier fails to conform to our reasonable specifications and standards, we may revoke our approval of the product or supplier upon written notice to you, and thereafter you must immediately discontinue using the unapproved product and/or utilizing the services from the unapproved supplier. We do not generally make available our criteria for evaluating suppliers and/or products.

We currently negotiate purchase arrangements with approved suppliers of certain equipment and supplies for the benefit of our franchisees, but we are not obligated to do so.

We do not provide material benefits (such as the award of a renewal or additional franchise) on the use of designated or approved sources. However, failure to use approved items/suppliers might be a default under the Franchise Agreement. If we issue a notice of default, we can choose to discontinue selling and/or providing any goods and/or services to you until you have cured all defaults.

There currently are no formal purchasing or distribution cooperatives in the United States. If one is formed, we can require that you make your purchases through a 911 Restoration cooperative. We may receive rebates from suppliers based on your purchases to be used to invest in franchise support or marketing costs. At this time, we do not negotiate purchase arrangements with suppliers for the benefit of franchisees for items other than those described here. However, to achieve volume discounts and obtain the benefits of nationwide contracts, we reserve the right to negotiate supply contracts and nationwide or regional purchasing contracts on behalf of franchisees.

The estimated proportion of required purchases and leases from us to all purchases and leases by you of goods and services in establishing the Franchised Business is approximately 75% and in operating your Franchised Business is approximately 10%.

You are not required obtain our written approval before you purchase or enter into a lease for the site you propose to locate your Franchised Business.

Your service vehicle must comply with any minimum requirements listed in the Manual. Your service vehicle must be lettered or painted according to our specifications. Your vehicle may not be no older than 4 years, must be in excellent physical condition, without exterior damage or visible rust. You must regularly maintain and clean the vehicle according to our specifications, which are included in the Manual. If you are a conversion franchisee, then you may use an existing service vehicle upon our approval, the vehicle must meet our standards and have the lettering and/or be painted according to our specifications prior to its use.

In our last fiscal year, ending on December 31, 2021, we received \$144,703.30 in revenue from all required purchases and leases of Operating Assets, products and services by franchisees, including purchases of items to be resold in the Franchised Business, and rebates we receive from third parties. This was 4.5% of our total revenue of \$3,182,829, as reported in our most recent audited financial statements.

As of the date of this Disclosure Document, we have not established a purchasing or distribution cooperative, nor negotiated any terms of any required purchases. We may, in our sole and absolute discretion, establish a purchasing and/or distribution cooperative in the future, as well as negotiate purchase arrangements, such as price terms, for the benefit of all Franchised Businesses in the System.

Except as otherwise stated in this Item and other than the payment of ongoing fees referenced in Item 6, there are no required purchases in establishing the Franchised Business, and none in the ongoing operation of the Franchised Business.

You also must obtain and maintain all required insurance at your expense. Our System may regulate the types, amounts, terms and conditions of insurance coverage required for your franchise and standards for underwriters of policies providing required insurance coverage; our protection and rights under the policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our

right to defend claims; and similar matters relating to insured and uninsured claims. All of your policies must name us as an additional insured and must include third party contents coverage. Our standards and requirements for insurance coverages is set forth in the Manual, which we may revise from time to time. Any such revisions to the contents of the Manual are deemed effective 7 days after the date of certified mailing of the revisions to you unless otherwise specified by us.

Our current insurance requirements are:

Commercial General Liability	Commercial General Liability including premises & operations, owners and Contractor's protective, broad form property damage, contractual liability, no XCU exclusions & products/completed operations written on an occurrence form. General Liability: Occurrence policy form — ISO CG0001 or most recently approved version or equivalent \$1,000,000 limit Each Occurrence BI/PD \$1,000,000 limit Each Occurrence Personal Injury \$2,000,000 General aggregate \$2,000,000 products/completed operation aggregate Blanket Contractual Liability Blanket Waiver of Subrogation for Additional Insureds Blanket Primary & Non-Contributory coverage for Additional Insureds Completed Operations coverage for Additional Insureds No restriction on the scope of operations usual to a 911 Restoration franchise No exclusions for claims from additions or remodeling projects No exclusions for existing residential or habitational jobs Defense costs must be outside the general liability limits and shall not have any limitations Policy shall include a per project/location aggregate If franchisee operates in New York, there shall be no exclusions for New York operations. There shall be "no action over" exclusions accepted for contractors operating in New York
Umbrella	Minimum Limits: \$1,000,000 per occurrence / \$1,000,000 Aggregate Other: Policy term to be concurrent with Commercial General Liability Policy. Umbrella coverage must provide excess liability over the General Liability, Pollution Liability, mold liability, auto liability, professional liability and employers liability. If the Umbrella liability is placed with an admitted carrier or a carrier that will not provide excess liability coverage over the CPL or mold, it would then be acceptable to place this umbrella providing the monoline CPL limits are written to include a \$2,000,000 / \$2,000,000 limit.
Automobile Liability	Minimum Limits: \$1,000,000 combined limit

	Other: Commercial Auto Liability shall be written to provide "any auto" Symbol 1, or if Symbol 1 is not available from the carrier, then a combination of Symbols 2, 8, and 9 shall be acceptable and provide coverage for all owned autos, hired, and non-owned autos. We shall be named as an additional insured for the commercial auto policy.
Professional Liability	Minimum Limits: \$1,000,000 each occurrence Other: Coverage may be written on a claims-made form. If the professional liability is on a Claims Made form, the retroactive date must coincide with the start date of your franchise, or the inception date of the first professional liability policy you obtained claims made coverage for, or the expiration date of your previous occurrence form. No policies that are "silent" on professional liability will be accepted. Incidental professional liability will not be accepted.
Contractor Pollution Liability	Minimum Limits: \$1,000,000 per occurrence/ \$2,000,000 aggregate Other: The CPL policy must be written on an occurrence form when your policy renews if it is currently on a claims made form. If you purchase occurrence CPL and you previously had claims made coverage, it is required that you either purchase a "tail" from the previous claims made carrier or you obtain a "nose" going back to the original prior carrier's CPL retroactive date. The mold section of the policy may be written on either an Occurrence form or a Claims Made form. If the mold is on a Claims Made form, the retroactive date must coincide with the start date of your franchise, or the original retroactive or inception date of current mold coverage or the expiration date of your previous occurrence form. It is highly recommended you carry occurrence mold coverage as it is readily available from several environmental carriers currently writing restoration contractors. If you purchase occurrence mold and you previously had claims made coverage, it is required that you either purchase a "tail" from the previous claims made carrier or you obtain a "nose" going back to the original prior carrier's mold retroactive date. If the CPL or mold is currently or has been written previously, the franchisee warrants that they will provide 3 years of continuous coverage at the expiration of claims made policies, or purchase an extended reporting endorsement for a minimum of 3 years "tail", or if moving to occurrence, provide "nose" coverage for the previous claims made years back to the original retroactive or inception dates of the claims made policies. All services offered by the franchise, including remodeling, must be covered.

	There shall be no exclusions for losses related to lead, silica, asbestos, or for contaminated drywall. There shall be no exclusions for viruses and the policy must contain a positive grant of coverage for virus(s). EIFS may not be excluded for restoration work. No restriction on the scope of operations usual to a 911 Restoration franchise Transportation liability for first and third parties shall be included Coverage for Non owned disposal sites shall be included There shall be no exclusions for any additions or remodeling projects There shall be no damage to your work or impaired property exclusion on the CPL. We shall be named as an additional insured for the commercial auto policy.
Worker's Compensation & Employer's Liability	Minimum Limits: Statutory worker's compensation benefits Employers' Liability limits of \$1,000,000/\$1,000,000/\$1,000,000 Endorsements: Waiver of Subrogation in favor of Franchisor Stop Gap as required in Monopolistic states

We must be named as a certificate holder for all policies obtained by you.

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	Item in Disclosure Document
(a) Site selection and acquisition/lease	Sections 9.1 and 9.2	Items 6 and 11
(b) Pre-opening purchases/lease	Sections 9.5, 9.6 and 9.7	Items 5 and 8
(c) Site development and other pre-opening requirements	Sections 9.2 and 9.14	Items 6, 7 and 11
(d) Initial and ongoing training	Sections 5.3, 5.5, 9.10 and 9.20	Items 6, 7 and 11
(e) Opening	Section 9.2	Item 11
(f) Fees	Sections 3.5, 4.3, , 5.5, 5.11, Article 8, Sections 10.3 and 11.4	Items 5, 6, 7 and 11
(g) Compliance with standards and policies/Operating Manual	Section 5.1, Article 6, Sections 9.1, 9.3, 9.20 and 9.23	Items 8, 11 and 16

	Obligation	Section in Franchise Agreement	Item in Disclosure Document
(h)	Trademarks and proprietary information	Articles 1, 7 and 13	Items 13 and 14
(i)	Restrictions on products/services offered	Article 3, Sections 5.4, 5.10, 9.8 and 9.15	Items 12 and 16
(j)	Warranty and customer service requirements	Section 9.19	Not applicable
(k)	Territorial development and sales quotas	Section 9.17	Item 12
(l)	On-going product/service purchases	Sections 5.4, 5.5 and 5.6	Items 8 and 11
(m)	Maintenance, appearance and remodeling requirements	Sections 9.5 and 9.18	Item 8
(n)	Insurance	Section 9.14	Items 7 and 8
(o)	Advertising	Section 9.11 and Article 10	Items 6, 7 and 11
(p)	Indemnification	Section 7.7 and Article 12	Item 6
(q)	Owner's participation/management/staffing	Sections 9.3, 9.4, 9.9 and 9.20	Items 11, 15 and 16
(r)	Records and reports	Sections 8.6, 9.12, 9.13 and Article 11	Item 11
(s)	Inspection and audits	Sections 9.12, 9.14, 9.18 and Article 11	Item 6
(t)	Transfer	Article 15	Items 6 and 17
(u)	Renewal	Article 4	Items 6 and 17
(v)	Post-termination obligations	Article 17	Item 17
(w)	Non-competition covenants	Article 14	Item 17
(x)	Dispute resolution	Article 20	Item 17
(y)	Other: Liquidated damages	Sections 11.4.1, 17.12	Item 6
(z)	Other: Security Interest	Section 11.10	Item 10
(aa)	Other: Guaranty	Section 9.16 and Exhibit D to the Franchise Agreement	Item 15

ITEM 10 FINANCING

Except as provided below, we do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

In our discretion and if you meet our criteria, we may offer to finance up to 50% of your Initial Franchise Fee. The amount financed must be paid over 18 months with interest at the prime rate of interest plus 2%. We will determine the amortization schedule based upon on your particular circumstances and your creditworthiness, among other factors.

If you qualify for and choose to accept this financing, you will sign our form of Promissory Note and Personal Guaranty, which are attached as Exhibit G to the Franchise Agreement and our form of Security Agreement, attached as Exhibit H to the Franchise Agreement. If you default in any payment under the Promissory Note, and fail to cure the default in the time prescribed under the Promissory Note and the notice of default, we may terminate your Franchise Agreement. If we terminate your Franchise Agreement for cause, any amount you still owe us under the Promissory Note will become immediately due and payable, and will be in addition to any money you may owe us under the Franchise Agreement. You agree that we may debit your bank account for your monthly payments.

The Promissory Note must be signed by you, or an authorized officer, if you are an entity. The Personal Guaranty must be signed by each shareholder, officer, director, general partner, manager and member of Franchisee, as the case may be, to jointly and severally guarantee your payment of the Promissory Note in favor of us. Under the Promissory Note you waive your right to a jury trial in any action on or related to the enforcement of the Promissory Note and you waive presentment, demand, protest, dishonor and all other notices and demands in connection with the delivery, acceptance, performance default or endorsement of the Promissory Note. Under the Personal Guaranty, you waive the notice of acceptance; the right to a jury trial; presentment, demand and protest of any notice, including a notice of default; all other notices or formalities to which you would be entitled to by law or otherwise; and all rights of set-off. You are not required to waive any of your other legal rights under the Promissory Note and Personal Guaranty. Under the Security Agreement, you will grant us a security interest in the assets of your Franchised Business.

If an “**Event of Default**” occurs under the Promissory Note, we will have the right to declare all unpaid amounts under the Promissory Note to be immediately due and payable, and you will be required to pay interest on any unpaid amount at the maximum contract rate permitted by applicable law. You are responsible for all costs and expenses we incur, including attorneys’ fees, to enforce our rights under the Promissory Note, and we may terminate your Franchise Agreement. An “Event of Default” includes (a) your failure to make any payment of principal of or interest on the Note on its due date; (b) if any judgment, attachment, levy or execution against you is not fully paid and/or discharged or released within 30 days; (c) you become insolvent and unable to pay your debts; (d) you make an assignment for the benefit of creditors, declare bankruptcy or permit a trustee or receiver to be appointed for you and this continues undischarged for 30 days; or (e) you breach any representation, warranty or covenant contained in the Franchise Agreement.

If you desire to obtain conditional rights to obtain franchises for Additional Franchised Territory, you must pay us a \$5,000 Deposit, in advance, for each Additional Franchised Territory when you sign your Franchise Agreement for your first Territory and your Deposit Amendment. You will sign an individual Franchise Agreement for each Additional Franchised Territory. Your Initial Franchise Fees will be in the amounts stated in your Deposit Amendment, which are, as of the issuance date of this Disclosure Document, \$44,000 for your first Additional Franchised Territory if you were granted the rights to open only one Additional Franchised Territory, or \$44,000 for your first Additional Franchised Territory and \$39,000 for your second Additional Franchised Territory if you were granted the rights to open 2 Additional Franchised Territories. For Additional Territories, you may pay the applicable Initial Franchise Fee with a 50% down payment and with equal monthly payments over a 18 month period for the remaining balance, with interest at the prime rate of interest plus 2 points. We do not intend to sell, assign or discount to a third party all or any part of a financing arrangement we provide to you.

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

Except as listed below, 911 Restoration is not required to provide you with any assistance.

Pre-Opening Obligations. Before you open your Franchised Business, we will:

1. Review the site you propose for your Franchised Business and approve the lease for the approved location. **(Franchise Agreement, Section 9.2).**
2. In conjunction with our Training Program, lend you one copy of our Confidential Operations Manual. Our Operations Manual has 953 pages. **(Franchise Agreement, Section 5.1).**
3. Provide our Initial Training Program to you and one additional person (which is described below), unless you, one of your affiliates or an owner of either you or any of your affiliates owns or operates a 911 Restoration Business. **(Franchise Agreement, Section 5.3).**
4. Provide written specifications and approved vendors for all required equipment, signs, fixtures, inventory, and supplies. We will not assist with delivery or installation of these items. **(Franchise Agreement, Section 5.6).**

Continuing Obligations. During the operation of your Franchised Business:

1. We will provide such additional advisory assistance and training as we deem advisable in the operation of the System, on such terms and conditions as we determine and set forth in the Manual or otherwise. **(Franchise Agreement, Section 5.4).**
2. We may modify our System, including the products and services offered by Franchised Businesses, methods of doing business, and other items. **(Franchise Agreement, Section 18.1).**
3. We or our Affiliates will provide you with proprietary materials and forms and promotional materials. **(Franchise Agreement, Section 5.6).** We may offer and sell to you certain materials (including letterhead, business cards, brochures, labels, etc.), promotional materials and printed marketing materials bearing the Proprietary Marks. **(Franchise Agreement, Section 5.6).**
4. We will provide you with the opportunity to participate in our National Call/Dispatch Center program. There is no additional cost to you to participate in this program. This program will dispatch calls to you from our call center and distribute the jobs to the nearest 911 Restoration business. **(Franchise Agreement, Section 5.11).**
5. We will, at all times during the term of the Franchise Agreement, provide information pertaining to sources of supply of those proprietary and non-proprietary products and services which may be used in our System. **(Franchise Agreement, Section 5.6).**

Advertising and Promotion

Local Advertising

You must engage in local business development and advertising as outlined in the Manual. You are required to spend a minimum of \$500 per month for local business development. After the first six (6) month period that the Franchised Business is open to the public we recommend, but do not require, that you hire an approved local marketer to conduct local marketing in your Territory. Any local advertising you choose to conduct in your Territory must be comprised of advertising materials that you must purchase from us. (**Franchise Agreement, Section 10.3.1**). If you place a listing of your Franchised Business in your local Yellow Pages, your local telephone directories or similar publication in your territory, you must upon our request, include our telephone number and Website address. (**Franchise Agreement, Section 10.3.3**). All local advertising must include our call center number. (**Franchise Agreement, Section 10.3.3**).

Digital Marketing

You must spend at least \$100 per day per territory on digital marketing for your Franchised Business. Your digital marketing must be focused on lead development through currently approved sites for local SEO packages, social media and PPC campaigns. You must obtain these services from our affiliate or another approved supplier. We will provide guidance on specific marketing spending and may allocate the minimum required investment differently from market to market. We currently provide, at no additional cost to you, digital marketing services on your behalf such as market evaluation, email marketing campaigns, SEO management, website development, and management of your social media, PPC and Paid-Ad campaigns, and online reputation. (**Franchise Agreement, Section 10.4**).

Advertising Cooperatives

There are presently no advertising councils or local or regional advertising cooperatives. If an advertising cooperative is formed by our franchisees, you will not be required to participate or contribute to the fund cooperative unless you choose to. If you choose to participate in the advertising cooperative, then you must agree to contribute to the cooperative the amount agreed upon by a majority of the members of the cooperative, to pay that amount to the advertising cooperative and the times agreed upon by the majority, and abide by the cooperative's rules. The cooperative will determine who will administer the cooperative. The written governing documents will be available for review by you. Cooperatives need not prepare annual or periodic financial statements, but if they are prepared, they may be reviewed by you. The members of the cooperative will, by majority vote, establish the amount each member must contribute to the cooperative and the frequency of contributions. If any 911 Restoration businesses owned and operated by us in a cooperative area participate in the cooperative, we will have the same voting rights as other cooperative members. We will not have the power to require cooperatives to be formed, changed, dissolved or merged. (**Franchise Agreement, Section 10.5**).

Advertising Fund

We do not currently have an advertising fund ("**Advertising Fund**") to promote the System, however we reserve the right to establish an Advertising Fund and charge an amount equal to 1% of your Gross Revenue for the preceding month. If established, the Advertising Fund will be used for national and regional advertising, publicity and promotion relating to our business. We will determine, in our fully unrestricted discretion, the manner in which the Advertising Fund will be spent. Some portion of the Advertising Fund may be used for creative concept production, marketing surveys, test marketing and related purposes, as well as for Website development and maintenance. We have the right to direct all

advertising activities with sole discretion over creative concepts, materials and media used, as well as their placement and allocation. We are not required to spend any amount on advertising in your specific area or territory. (**Franchise Agreement, Section 10.2**).

We also have the right to determine, in our sole discretion, the composition of all geographic and market areas for the implementation of the Advertising Fund's advertising and promotional activities. The Advertising Fund is intended to maximize both general public recognition in all media of the Proprietary Marks as well as specific patronage of Franchised Businesses and we have no obligation to make sure that expenditures of the Advertising Fund in or affecting any geographic area are proportionate or equivalent to payments made to the Advertising Fund by franchisees operating in that geographic area, or that any Franchised Business will benefit directly or in proportion to the payments made to the Advertising Fund for the development of advertising and marketing materials or the placement of advertising. (**Franchise Agreement, Section 10.2.1**).

We have the right to reimburse ourselves out of the Advertising Fund for the total costs (including indirect costs) of developing, producing and distributing any advertising materials and collecting the Advertising Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Advertising Fee) and in addition, for the services provided, we will receive out of the Advertising Fund an administrative fee equal to 15% of the amounts collected to cover our services, salaries, supplies and overhead expenses. (**Franchise Agreement, Section 10.2**).

Advertising Funds from the Advertising Fees paid will be kept separate and distinct and will be accounted for separately from our other funds. These funds will not be used to defray any of our general operating expenses, except as described in the paragraph above. Any sums paid to the Advertising Fund that are not spent in the year they are collected will carry over to the following year. We will prepare an annual statement of the operations of the Advertising Fund that will be made available upon your request. We are not required to audit the Advertising Fund statements. (**Franchise Agreement, Sections 10.2.2 and 10.2.3**).

Company-owned and affiliate owned 911 Restoration Businesses will contribute to the Advertising Fund on the same terms as required by franchisees.

No funds which you pay to us for advertising will be used for advertising that is principally a solicitation for the sale of franchises. As of December 31, 2021 the Advertising Fund had not yet been established, no money was spent by the Advertising Fund in the fiscal year ending December 31, 2021.

Website

"Websites" (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used. As used in the Franchise Agreement, the term "Website" means an interactive electronic document contained in a network of computers linked by communications software that you operate or your agents operate that refer directly or indirectly to the Business, Proprietary Marks, us, and/or the System. The term "Website" includes Internet and World Wide Web home pages. (**Franchise Agreement, Section 5.2**).

You may not establish a Website related to the Proprietary Marks or the System, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Mark, through the Internet without our prior written approval. As a condition to granting any consent, we will have the right to establish any requirement that we deem appropriate, including a requirement that your only presence on the Internet will be through one or more web pages that we establish on our Website. (**Franchise Agreement, Section 5.2**).

You may not promote your Franchised Business or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of “**social media**” in your Franchised Business’s operation, including prohibitions on your and the Franchised Business’s employees posting or blogging comments about the Franchised Business or the System, other than on a Website established or authorized by us (“social media” includes personal blogs, common social networks like Facebook and MySpace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf. (**Franchise Agreement, Section 5.2**).

We may establish a Website or other electronic system providing private and secure communications (e.g., an extranet) between us, our franchisees, and other persons and entities that we deem appropriate. If we require, you must establish and maintain access to the extranet in the manner we designate. Additionally, we may periodically prepare and/or update any agreements and policies concerning the use of the extranet that you must acknowledge and/or sign. (**Franchise Agreement, Section 5.2**).

Advisory Councils

We have a national advisory council composed of our franchisees. The members were nominated by us. We nominate members who demonstrate positive performance and service. The council has nominated members from every geographic region. We reserve the right to change or dissolve the council in our sole discretion. The council is advisory only and does not have binding authority. If you are nominated to the advisory council, you must pay all costs that you incur relating to your participation, including all travel, lodging and meals expenses to attend advisory council meetings. (**Franchise Agreement, Section 10.6**).

Site Selection and Opening

We estimate that between 1 and 3 months will elapse from the date you sign the Franchise Agreement to the opening date of your Franchised Business. The ability to open your Franchised Business may be affected by your ability to negotiate a lease; to obtain financing or building permits; to meet all zoning and local ordinances; weather conditions, shortages, or delayed installation of equipment, fixtures and signs. We do not enter into a lease with our franchisees for the locations of Franchised Business. (**Franchise Agreement, Section 9.2**).

You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Franchised Business, and constructing and equipping the Site at the accepted site. You must propose a site for the Franchised Business using our submittal forms. Once approved, the Franchised Business may not be relocated without our prior written approval. If we choose to perform an on-site evaluation, we will not charge you a fee. (**Franchise Agreement, Section 9.2.2**).

If you do not have an approved site for the Franchised Business when you sign the Franchise Agreement, you will have 6 months to locate and secure our approval of a site for the Franchised Business. The site must be within your Territory. When you locate a site, you must submit the site information, in the format and content we require, and provide the lease terms to us. You must submit to us information and materials relating to the proposed site for our review no later than 60 days after you have signed the Franchise Agreement. We will have 10 days after we receive this information to

accept or decline the proposed site. If we do not provide written acceptance of a proposed site within that 10-day period, the site is deemed accepted. **(Franchise Agreement, Section 9.2.2).**

If you are a Conversion Franchise, you must provide us a full schedule of inventory and equipment, including photographs, and any other location information or materials upon our request. If we offer you a Franchise Agreement to sign, then your facility shall be deemed approved by us to convert into a 911 Restoration franchise. **(Conversion Addendum, Paragraph 4).**

The factors which we consider in approving your location includes population and projected growth, location within your Territory, size and cost of property for the Franchised Business, parking, lighting, proximity to other businesses, competition and other similar factors. Our approval only means that the location meets our minimum requirements for a Franchised Business subject to any deviation from our standards as we may permit. **(Franchise Agreement, Section 9.2.2).**

A Franchised Business must be opened for to the public no later than 120 days after you and we sign the Franchise Agreement. Franchisee is obligated to start making payments of any amounts due for a financed franchise fee commencing 120 days after they sign the franchise agreements, whether they are open for business or not. **(Franchise Agreement, Section 9.2.3).** If you fail to open your Franchised Business within the time prescribed by the Franchise Agreement, we may terminate the Franchise Agreement and keep the entire initial franchise fee. **(Franchise Agreement, Section 16.2.18).**

You may not open your Franchised Business until: (1) we determine that your Franchised Business has been constructed, decorated, furnished, equipped and stocked with materials and supplies in accordance our plans and specifications; (2) your supervisory and managerial personal and other required persons have completed the initial training program to our satisfaction; (3) you have paid us the initial franchise fee and all other required payments; (4) you have furnished us with certificates for all required insurance ; (5) you have obtained all required governmental permits, licenses and authorizations necessary for the operation of your Franchised Business; (6) you are in full compliance with the Franchise Agreement; and (7) you have complied with all the items in our opening checklist to our satisfaction.

A Conversion Franchised Business must be opened to the public no later than 90 days after you and we sign the Franchise Agreement. Franchisee is obligated to start making payments of any amounts due for a financed franchise fee commencing 90 days after they sign the franchise agreements, whether they are open for business or not. You may not open your Conversion Franchised Business until: (1) you provide us with proof that you have at least one vehicle that meets our 911 Restoration specifications; (2) you submit a full schedule, including photographs, of your existing inventory and equipment and any other information we require; (3) you and your designated supervisory or managerial personnel complete the initial training program to our satisfaction; (4) you pay us the initial franchise fee and all other required amounts; (5) you furnish us with certificates of all required insurance; (6) you obtain all governmental permits, licenses and authorizations necessary for the operation of your Franchised Business; (7) you are in full compliance with all the terms of the Franchise Agreement; and (8) you comply with all items in our opening checklist to our satisfaction. Additionally, within 90 days of opening your Conversion Franchised Business, you must complete all construction requirements for the Conversion Franchised Business (if necessary) and construct, decorate, furnish, equip and stock your Conversion Franchised Business with the materials and supplies in accordance with our approved plans and specifications **(Conversion Addendum, Paragraphs 3, 4 and 5).**

Computer System

You must use a computer system for the Franchised Business. You may purchase the computer system from a vendor of your choice. However, your computer system must effectively operate the required software at a high-speed internet connection. If you need to acquire a computer system to meet these requirements the estimated initial cost for your computer system is between \$600 and \$2,000. You must maintain a high speed internet connection at all times so your computer system. (**Franchise Agreement, Section 9.6**).

We will provide you with access to our CRM software and internal programs (extranet and e-stores). You are required to purchase the programs (and pay us the set-up fee of \$300) and must pay us a monthly technology fee of \$195 per a month per Franchised Business to access to our CRM software and internal programs, and for enhancements to our technology platforms. Your computer system will offer the ability to prepare estimates for repair and remediation work, manage insurance claims, create financial reports, sales tracking, client maintenance, accounting and record keeping, purchasing and tracking inventory, and internet access. (**Franchise Agreement, Section 9.6.2**). You are also required to reimburse us for our expenses associated with your email and Google accounts, we estimate that this cost will be approximately \$75 per year per user. Franchises must use “@911restoration.com” emails in all instances.

You must purchase and install, at your expense, QuickBooks and Xactimate software for the Franchised Business. (**Franchise Agreement, Section 9.6.1**). You must use QuickBooks for bookkeeping and accounting purposes. There is currently no contractual obligation on the frequency and cost for you to upgrade your computer system and software, but if we deem an upgrade is in be in the best interest of all our franchisees in the System, we may require you pay the cost to upgrade your computer system and software. We reserve the right to change the required software in the future, and there are no limits on our right to do so. We reserve the right to require you to update and/or upgrade your computer system, including hardware, software and peripheral equipment, to meet our then-current specifications. (**Franchise Agreement, Section 9.6**). The estimated cost of maintenance, updating, upgrading or support contracts for the computer system ranges from \$250 to \$600 per year. Neither we nor any affiliate will provide you with any updates, upgrades or maintenance for your computer system.

You must provide us independent access to the information and data you collect at all times at your expense. The information we may obtain from your computer system is not subject to limitation. There are no contractual limits on our access to the information on your computer system. You acknowledge and agree that we are the sole owner of all information on your computer system. (**Franchise Agreement, Section 9.6.3**).

Intranet

We may, at our option, establish an intranet (or extranet) through which our franchisees may communicate with each other, and through which we may communicate and disseminate the Manual, updates and other confidential information. If we establish an intranet, you must establish and maintain an electronic connection with the intranet that allows us to send messages to and receive messages from you. We will have sole discretion to control all aspects of the intranet, including the content and functionality of the intranet. You will have the privilege, but not the right, to use the intranet, subject to your strict compliance with our policies. (**Franchise Agreement Section 9.22**).

Training and Supervision

We will offer a training program prior to the opening of your 911 Restoration Business to provide you and your designated supervisory or managerial personnel to be conducted at our headquarters in Van Nuys, California. This training generally lasts for 6 days and may be conducted in person or virtually. We are not obligated to provide any initial training to you, any of your affiliates, or an owner of you or any of your affiliates that owns or operates a 911 Restoration Business if the Franchise Agreement that you sign is a renewal Franchise Agreement. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, and new operating principals and supervisory or managerial personnel, and the scheduled openings of 911 Restoration Businesses generally. It is anticipated that the initial training program will be offered 4 or 5 times per year. (**Franchise Agreement, Section 5.3**). In our sole discretion, we determine the subject matter of our training program.

You must pay us our Initial Training Fee for our Initial Training Program for you and one of your supervisory or managerial personnel. If you wish to send additional supervisory or managerial personnel to our training program, you must pay us our then-current training fee. Our current training fee is \$500 for technicians and \$1,500 for inspectors. The Initial Training Program includes training regarding the operational, management and marketing pertaining to the “911 Restoration” System. If you are a corporation, limited liability company or a partnership, your duty to complete the training program will be discharged by the completion of the Initial Training Program by any owner of at least 50% of the equity or voting interests in you or by your chief executive officer. If you fail to complete the Initial Training Program to our satisfaction, we may elect to terminate the Franchise Agreement and keep the entire Initial Franchise Fee. (**Franchise Agreement, Section 5.3**).

You are responsible to pay all wages for services performed by you or your supervisory managerial personnel in the course of training. You agree to pay all expenses incurred by you and your supervisory or managerial personnel in connection with and during training, including transportation, meals, lodging and other expenses. (**Franchise Fee, Section 5.3**).

Once your Franchised Business has been open for at least 3 months, we may, in our sole discretion, send a representative to your Franchised Business to offer advice and assistance to you and your supervisory or managerial personnel. (**Franchise Agreement, Section 5.3**).

We may provide additional advisory assistance and training that we deem necessary on the terms and conditions as set forth in the Manual. We may periodically telephone or visit your Franchised Business for the purposes of rendering advice and consultation with respect to your operation of the Franchised Business, assessing your performance, and determining whether you are operating the Franchised Business in compliance with the standards of the System. (**Franchise Agreement, Section 5.4**).

We may train any number of individuals from any number of franchises at the same time. We may change our training program to suit the individual needs or experience of any particular trainee. (**Franchise Agreement, Section 5.4**).

In the event of the sale or assignment of your Franchised Business, we will train the new franchisee and replacement supervisory or managerial personnel in the same manner and under the same circumstances described above.

Once a year, at your cost and expense, you must attend our Annual Conference which will be held at our headquarters or at another location we designate. You must pay the expenses of your supervisory

or managerial personnel, including travel, lodging, meals and wages. The cost will depend on the distance you must travel and the accommodations you choose. (**Franchise Agreement, Section 5.5**).

The instructional materials we use in our training program includes the Manual and any other instructional materials that we deem to be beneficial to our franchisees. As of the date of this Disclosure Document, the following is a breakdown of the training program currently in effect:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Paperwork	4	0	HQ, Van Nuys, CA
Marketing	8	0	HQ, Van Nuys, CA
Sales	4	0	HQ, Van Nuys, CA
Accounting	3	0	HQ, Van Nuys, CA
Customer Care	1	1	Field and HQ, Van Nuys, CA
Equipment	2	6	Field, HQ, and IICRC Training, Southern California
Safety	1	6	Field, HQ, and IICRC Training, Southern California
Estimating	4	1	HQ, Van Nuys, CA
Logistics	1	1	HQ, Van Nuys, CA
Water Restoration	4	44	Field, HQ, and IICRC Training, Southern California
Mold Testing and Remediation	4	44	Field, HQ, and IICRC Training, Southern California
Fire/Smoke Damage	3	38	Field, HQ, and IICRC Training, Southern California
Emergency Procedures	1	2	Field, HQ, and IICRC Training, Southern California
Total	43	143	

Our training program is overseen by our staff. Each of our instructors has a minimum of 2 years' experience relevant to the subjects being taught and have been employed by us for at least one month.

In our discretion, we may choose to hold an annual meeting or convention for our franchisees to conduct additional training, announce new products and/or services or discuss any other matters of interest. If and when held, the annual meeting or convention will be mandatory for all franchisees. You agree to bear all costs related to attending the annual meeting or convention, including travel, lodging, meals, wages and a nominal fee for the meeting or convention. This nominal fee will include the cost of the additional training we conduct. (**Franchise Agreement, Section 5.12**).

Confidential Operations Manual

We will loan you a copy of the Manual during the term of your Franchise Agreement. We have formulated these standards to ensure high quality services and products, the efficient operation of your franchise, and the protection of the goodwill associated with the Proprietary Marks. We may modify the Manual from time to time to improve any of these factors. We may provide all or a portion of the Manual to you electronically, such as via a password-protected Website. However, no modification may alter your rights under your Franchise Agreement. You agree to exert your best efforts to promote our Proprietary Marks and our brand-name identity as it relates to your Franchised Business. The manual consists of 953 pages. (**Franchise Agreement, Article 6**).

You will have the opportunity to view the Manual before you sign the Franchise Agreement.

ITEM 12 TERRITORY

The Franchise Agreement only grants you the right to operate your Franchised Business at the single location designated in the Franchise Agreement and only within the designated, exclusive territory ("**Territory**") described in Exhibit A of the Franchise Agreement. The size of your Territory is determined based on population, geographical size and natural boundaries within your Territory.

If we receive a job request through any Internet, World Wide Web or other computer network site, or through any other alternative distribution channel, or receive a request for service thru our national call center calling for or performance in your Territory, then we will offer the opportunity to you.. If you choose not to pursue the opportunity or are otherwise unable to do so, then we may designate a third party (including another franchisee) to fulfill the opportunity, and you will not be entitled to any compensation in connection with that job.

We will determine the boundaries of your Territory and your Territory will be described in terms of contiguous zip codes, town boundaries or county boundaries, or we may depict your Territory on a map attached as an attachment to your Franchise Agreement. We will use the U.S. Census Bureau and other similar resources to obtain the population data we will use to determine your Territory.

As part of the process of renewing your Franchise Agreement, we reserve the right to re-evaluate your then-existing Territory according to certain demographics, including population. Since your Territory includes a certain minimum population, your Territory under the renewal Franchise Agreement will be modified to accommodate shifts and changes in population. Our intent is to make the target demographics of your renewal Territory similar to the target demographics of your original Territory. A re-evaluation of your Territory may result in your renewal Territory being smaller or larger than your original Territory.

You may not relocate your Franchised Business without our prior written approval. You may operate the Business only at the accepted premises. We may allow a relocation of your Franchised Business to another location within your Territory. We will use our then-current site review criteria when reviewing the relocated site you propose and your new location must not have any adverse impact on the sales of franchisees in any adjoining Territory.

You may sell approved products and services to customers within your Territory. You are not permitted to promote your Franchised Business or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without our prior written consent. We will control all "**social media**" initiatives. You must comply with our System standards regarding the

use of social media in your Franchised Business's operation, including prohibitions on your and the Franchised Business's employees posting or blogging comments about the Franchised Business or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools).

We may provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf. You may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Territory. However, you may not make any sales or deliver any products to customers located outside of your Territory unless the customer is located in an area where there is not another 911 Restoration in operation. You may not solicit customers outside of your Territory. You may not sell any products or services at wholesale.

To maintain territorial protection under your Franchise Agreement, you must be in good standing under your Franchise Agreement and achieve a minimum Gross Revenue during the second and each subsequent year of the term of your Franchise Agreement. During the second year of your Franchise Agreement, you must achieve a minimum of \$180,000 in Gross Revenue per 300,000 in population in the Territory. The minimum Gross Revenue requirement will increase by \$48,000 per year during the third and each subsequent year of the term of your Franchise Agreement. If you fail to achieve this minimum sales target, you will be in default under the Franchise Agreement and we will have the right to reduce the size of your Territory, begin offering and selling products and services in the Territory, permit others to offer and sell products and services in the Territory, or terminate this Agreement, in our discretion. Other than stated above, there is no minimum market penetration or other contingency that you must meet to retain the rights to your Territory, but you must comply with your Franchise Agreement, the System and all of our requirements.

If you desire to obtain conditional rights to obtain franchises for any Additional Franchised Territory, when you sign your Franchise Agreement for your first Territory, you must (i) sign a Deposit Agreement for each Additional Franchised Territory and (ii) pay us a \$5,000 deposit for each Additional Franchised Territory. You will sign a separate Franchise Agreement for each Additional Franchised Territory you purchase.

Your Initial Franchise Fees will be in the amounts stated in your Deposit Amendment, which are, as of the issuance date of this Disclosure Document, \$44,000 for your first Additional Franchised Territory if you were granted the rights to open only one Additional Franchised Territory, or \$44,000 for your first Additional Franchised Territory and \$39,000 for your second Additional Franchised Territory if you were granted the rights to open 2 Additional Franchised Territories. You may pay the applicable Initial Franchise Fee with a 50% down payment and with equal monthly payments over a 18 month period for the remaining balance, with interest at the prime rate of interest plus 2 points.

National Accounts Programs

We or our affiliates may, in our discretion, establish and maintain a "**National Accounts Program**" under which we will attempt to create interest in, and develop relationships with, regional or national companies that provide or require emergency clean-up from fire damage, water damage and mold damage, mold inspections, carpet cleaning, duct cleaning, crawl space cleaning, and other products and services provided by 911 Restoration Businesses. If and when we create a National Accounts Program we will have discretion to determine the referral policies and fees for you to participate in the National Accounts Program, which will be set forth in the Manual.

You must be in good standing under the terms of your Franchise Agreement to be eligible to participate in any National Accounts Program. As long as you are in good standing under your Franchise Agreement and we determine, in our reasonable business judgment, that have the necessary equipment, personnel, resources and training, we may offer you the opportunity to accept projects within the Territory requiring the performance of authorized services pursuant to the requirements of any National Accounts Program that we or our affiliates may implement. If any of our affiliates operate a 911 Restoration Business in the Territory, we will adhere to the referral policies set forth in the Manual and refer projects from National Accounts in accordance with that policy. However, you acknowledge and agree in your Franchise Agreement that we do not represent or guaranty any volume of jobs or revenue from our National Account program. If you accept a National Accounts project, you must abide by all applicable guidelines, protocols, policies and procedures with respect to the National Account Program, including the pricing of projects and any fees related to the projects.

ITEM 13 TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the Marks. Our principal trademark is “911 Restoration” and associated design. We have registered the following Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) as follows:

Mark	Application Date	Serial Number	Registration Number	Registration Date
911 Restoration	April 5, 2006	76/657,886	3,447,294	June 17, 2008 (Renewed on March 5, 2018)
911 Restoration	March 25, 2008	77/431,096	3,605,220	April 14, 2009 (Renewed on April 27, 2015)
	October 28, 2014	86/437,009	4,768,006	July 7, 2015
	February 3, 2016	86/896,446	5,108,052	December 27, 2016

We have filed all affidavits and other required documents to maintain our interests in and to the Proprietary Marks.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above. There are no agreements currently in effect which limit our right to use or to license others to use the Marks.

You may not do anything to damage or contest or dispute any of our rights to our Proprietary Marks, trade names, copyrighted materials and/or trade secrets.

You must use and display the Proprietary Marks, trade names and use the copyrighted materials and trade secrets in accordance with the specifications set forth in the Manual.

We do not know of either superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in this state or the state in which the Franchised Business is to be located.

If you learn of any actual or potential claim against you or us relating to the use of the Proprietary Marks, trade names, or copyrighted materials, you must immediately notify us. We may, in our absolute and sole discretion, take any action as we deem necessary to address any claim. You acknowledge and agree that we may defend, compromise, or settle any claim using attorneys of our own choosing and you agree to cooperate fully with us. We agree to protect, defend and indemnify you in connection with the claim unless the claim arises out of or relates to your use of the Proprietary Marks, trade names, and copyrighted materials in violation of the Franchise Agreement, the Manual or otherwise.

If you learn of any unauthorized use of the Proprietary Marks, trade names, copyrighted materials or trade secrets, you must promptly notify us. We will determine whether or not to take any action. You acknowledge and agree that you shall not take any action with respect to any unauthorized use of the Proprietary Marks, trade names, or copyrighted materials.

You may not use the Proprietary Marks, trade names, copyrighted materials, or trade secrets, or any similar words, in your corporate name. You must identify yourself and your Franchised Business as an independent contractor using the language we specify.

We reserve the right to change or discontinue the use of any mark, name, symbol or other corporate identification. If this occurs you must conform to the change at your sole cost. Our only obligation is to reimburse you for the documented tangible costs incurred by you to comply with our direction, such as changing signage and stationery.

The license to use the Marks granted in the Franchise Agreement is non-exclusive. We have and retain certain rights in the Marks including the following:

1. To grant other licenses for the use of the Marks in addition to those licenses granted or to be granted to our franchisees;
2. To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you; and
3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services; and (b) the use of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not have an ownership interest in any pending or registered patents or copyrights that are material to the franchise. We deem all work appearing in a tangible medium of expression, whether published or unpublished, to fall within the class of our copyrights, including the Manual, all advertisements, video tapes, documents and audio tapes. Registration with the United States Copyright Office, although a condition precedent to litigation, is not a requirement for protection. We have not filed any copyrights. Our right to use or license these copyrights are not materially limited by any agreement or known infringing use, nor is there any current determination of Copyright Office (Library of Congress) or court regarding these Copyrights.

The Manual is described in Item 11 and below. Although we have yet not filed an application for a copyright registration for our Manual, we hereby claim a copyright and the information in it is proprietary and confidential. You must provide notice to us if you learn about unauthorized use of this proprietary and confidential information. We are not obligated to take any action, and we have sole authority to respond in a manner that we deem appropriate.

Confidential Operations Manual

You must operate your Franchised Business according to the standards, methods, policies and procedures specified in the Manual. We will loan you 1 copy of the Manual for the term of the Franchise Agreement once you complete our initial training program to our satisfaction. We may make the Manual available electronically via a password protected intranet instead of providing a hard copy.

You must treat the Manual, any of our other manuals which are used in the operation of your Franchised Business, and the information in them as confidential, and always use reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part or otherwise give them to any unauthorized person. The Manual is our sole property and must be kept in a place only accessible by lock and key at your Franchised Business.

We may revise the contents of the Manual from time to time, and you must comply with any changes upon written notice of the change. In the event of any dispute relating to the contents of the Manual, the terms of the master copy maintained by us at our home office will control.

Confidential Information

You must not, during the term of the Franchise Agreement or after the term of the Franchise Agreement, communicate, divulge or use for the benefit of any other person, partnership, association, or corporation any “**Confidential Information**”, knowledge or know-how concerning the methods of operation of the Franchised Business which may be communicated to you or which you may learn because of your operation under the terms of the Franchise Agreement. “**Confidential Information**” includes: (a) price lists and marketing plans and strategies; (b) proprietary computer software functions, capabilities, code, manuals, fixes, work arounds, revision plans, etc.; (c) customer lists, customer identities, customer contacts and customer preferences (including identities and plans for approaching potential customers); (d) leasing plans, rates and information; (e) the Manual, methods of operations, standards and specifications; and (f) other materials related to the operation of the Franchised Business. You may divulge this confidential information only to those supervisory or managerial personnel that need

access to the confidential information to perform their duties. You agree that all information, knowledge, know-how, techniques and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement.

At our request, we may require you and your manager and any supervisory or managerial personnel having access to any confidential information to sign a non-disclosure agreement to protect confidentiality of information they receive in connection with their employment by you at your Franchised Business. The agreements must be in a form satisfactory to us, including specific identification of us as a third-party beneficiary of the covenants with the independent right to enforce them and that they prohibit any direct or indirect ownership in a competing business. We may regulate the form of agreement that you use and be a third-party beneficiary of that agreement with independent enforcement rights.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must at all times faithfully, honestly, and diligently perform your contractual obligations. “**System Standards**” may regulate the staffing levels and employee and/or independent contractor’s qualifications, training, dress, and appearance of the Franchised Business. You need not participate full-time in the day-to-day operation of the Franchised Business, but you must devote substantial and continuing efforts to the operation of the Franchised Business. If you do not participate in the daily operations, you must hire a manager to oversee the Franchised Business’ daily operation. You and your manager and other supervisory or managerial personnel must complete our initial training program to our satisfaction. The manager need not have an equity or voting interest in the Franchised Business.

If you are a corporation, limited liability company, or partnership, your owners must personally guarantee your obligations under the Franchise Agreement. Even if we do not require one of your owners to sign Guaranty, that owner still must comply with all non-monetary obligations, including the covenant not to compete, as if he or she were the franchise owner. We do not require that the spouses of any owners sign the Guaranty.

All employees you hire or employ at your Franchised Business will be your employees and your employees alone, and will not, for any purpose, be deemed to be our employees or subject to our direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. You are required to perform background checks on all employees before they are hired. You will file your own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for your employees and operations. We will not have the power to hire or fire your employees. Our authority under the Franchise Agreement to train and approve your supervisory or managerial personnel for qualification to perform certain functions at your Franchised Business does not directly or indirectly vest us with the power to hire, fire or control any of your personnel. You and you alone will be solely responsible for all hiring and employment decisions and functions relating to the Franchised Business, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Any guidance we may give you regarding employment policies should be considered merely examples. Thus, the policies and procedures for the selection of employees set forth in the Manual are advisory only. You will be responsible for establishing and implementing your own employment policies, and should do so in consultation with local legal counsel experienced in employment law.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Each component of the System is vital to us, to other franchisees of the System and to the operation of the Franchised Business. Therefore, you must operate your “911 Restoration” franchise in compliance with the System.

You must operate the Franchised Business in an efficient and professional manner following the highest ethical and moral standards. You must comply with all standards of quality and service prescribed by us.

Due to changes in competitive circumstances, we may periodically change the System to better serve our interests, our franchisees and the System. We may change the components of the System, including revising the services, policies and procedures of the System, and modifying products, materials, and services which you are authorized to offer. There are no restrictions on our right to change the types of goods and services you must offer, and you must abide by these modifications. You acknowledge and agree that that upon any such change we are not obligated to replace, modify or supply equipment to you.

We do not restrict the customers you may solicit or service, except as described in Item 12.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the Franchise Agreement attached to this disclosure document.

Provision	Article in Franchise Agreement	Summary
a. Term of the Franchise	Article 4	7 years
b. Renewal or extension of the term	Article 4	Additional 7 year term.
c. Requirements for you to renew or extend	Article 4	Provide advance notice, comply with conditions, and sign the then-current Franchise Agreement, pay renewal fee, sign a general release. The boundaries of your Territory may change based on changes in demographics. The then-current Franchise Agreement may have materially different terms and conditions than your original Franchise Agreement. However, the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.
d. Termination by you	Not Applicable	Not Applicable

Provision	Article in Franchise Agreement	Summary
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Article 16	We can terminate only if you default.
g. “Cause” defined defaults which cannot be cured	Article 16	Non-curable defaults include: bankruptcy; assignment for the benefit of creditors; abandonment of your Franchised Business; conviction of a felony; violation of law; failure to maintain minimum performance standards; failure to meet minimum gross revenues; failure to commence operation of the business as required; failure to complete required training; violation of confidentiality, non-competition provisions; unauthorized transfers, repeated failures.
h. “Cause” defined-defaults which may be cured	Article 16	Includes failure to pay fees; obtain approvals; comply with standards; utilizing unapproved products or services.
i. Your obligations on termination/non-renewal	Articles 14 and 17	Includes stopping use of Marks and System; complying with post-term covenants not to compete.
j. Assignment of contract by us	Article 15	There are no restrictions. However, no assignment will be made except to an assignee who, in our good faith judgment is willing and able to assume our obligations under the Franchise Agreement.
k. “Transfer” by you - definition	Article 15	The actual or purported transfer of an interest of more than 50% of your Franchised Business.
l. Our approval of transfer by you	Article 15	Our prior written consent.
m. Conditions for our approval of transfer	Article 15	Buyer qualifies; obligations satisfied; buyer completes training program; releases are signed; transfer fee is paid; new Franchise Agreement is signed.
n. Our right of first refusal to acquire your business	Article 15	We can match any offer to purchase.
o. Our option to purchase your business	Article 17	We can purchase your business after termination or expiration of the Franchise Agreement.

Provision	Article in Franchise Agreement	Summary
p. Your death or disability	Article 15	Must designate manager within 90 days; if manager not designated, we may terminate the Agreement.
q. Non-competition covenants during the term of the franchise	Article 14	No involvement in a competing business.
r. Non-competition covenants after the franchise is terminated or expires	Article 14	No involvement in a competing business for 2 years anywhere within the Territory, within a 50 mile radius of the Territory, or within 50 miles of any business using the System and/or the Proprietary Marks, whether franchised, licensed or owned by us or our affiliates. If you violate the covenants in Section 14.2, you must pay us 5% of all revenue of the competing business.
s. Modification of the agreement	Article 19	Only upon mutual agreement.
t. Integration/merger clause	Article 19	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises made outside the disclosure document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 20	Arbitration within 5 miles of our headquarters, subject to state law
v. Choice of forum	Articles 19 and 20	Los Angeles County, California (subject to state law)
w. Choice of law	Article 19	California (subject to state law)

ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote our 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 representations 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 representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to Franchisor's management by contacting our President, Michael Krawitz, 7721 Densmore Avenue, Van Nuys, California 91406; telephone: (818) 373-4880, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**TABLE NO. 1
SYSTEM-WIDE OUTLET SUMMARY
FOR FISCAL YEARS 2019 to 2021**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised*				
	2019	150	174	+24
	2020	174	205	+31
	2021	205	233	+28
Company-Owned				
	2019	0	3	+3
	2020	3	3	0
	2021	3	3	0
Total Outlets				
	2019	150	177	+27
	2020	177	210	+33
	2021	210	236	+26

*We have 2 Canadian franchise not listed in this Item 20, but which is included on our financial statements attached to this Disclosure Document as **Exhibit E**.

[Remainder of page intentionally left blank]

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
FOR FISCAL YEARS 2019 to 2021

State	Year	Number of Transfers
Arizona	2019	0
	2020	0
	2021	1
Georgia	2019	0
	2020	1
	2021	0
New York	2019	3
	2020	0
	2021	0
South Carolina	2019	0
	2020	1
	2021	0
Total	2019	3
	2020	2
	2021	1

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR FISCAL YEARS 2019 TO 2021

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
Alabama	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
Arizona	2019	3	2	0	0	0	0	5
	2020	5	1	0	0	0	0	6
	2021	6	0	0	0	0	0	6
Arkansas	2019	2	0	0	0	0	0	2
	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
California	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	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
	2019	39	6	4	0	0	0	41
	2020	41	5	2	0	0	0	44
	2021	44	15	4	0	0	0	55
Colorado								
	2019	1	1	0	0	0	0	2
	2020	2	2	0	0	0	0	4
	2021	4	3	2	0	0	0	5
Connecticut								
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Delaware								
	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
	2021	2	0	2	0	0	0	0
Florida								
	2019	23	2	0	0	0	0	25
	2020	25	0	0	0	0	0	25
	2021	25	1	1	0	0	0	25
Georgia								
	2019	2	3	2	0	0	0	3
	2020	3	2	1	0	0	0	4
	2021	4	1	1	0	0	0	4
Hawaii								
	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Idaho								
	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Illinois								
	2019	4	0	1	0	0	0	3
	2020	3	0	2	0	0	0	1
	2021	1	0	0	0	0	0	1
Indiana								
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
Iowa								
	2019	0	2	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Kansas								
	2019	2	2	1	0	0	0	3

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
	2020	3	0	1	0	0	0	2
	2021	2	0	0	0	0	0	2
Kentucky								
	2019	1	0	1	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Louisiana								
	2019	0	1	1	0	0	0	0
	2020	0	3	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Maryland								
	2019	3	3	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
Massachusetts								
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Michigan								
	2019	2	1	0	0	0	0	3
	2020	3	7	0	0	0	0	10
	2021	10	2	0	0	0	0	12
Minnesota								
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Mississippi								
	2019	1	2	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Missouri								
	2019	2	0	0	0	0	0	2
	2020	2	2	2	0	0	0	2
	2021	2	0	2	0	0	0	0
Montana								
	2019	1	0	1	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Nevada								
	2019	1	0	0	0	0	0	1
	2020	1	2	0	0	0	0	3
	2021	3	0	0	0	0	0	3
New Hampshire								
	2019	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
	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
New Jersey								
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
New Mexico								
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New York								
	2019	8	0	0	0	3	0	5
	2020	5	1	0	0	0	0	6
	2021	6	0	0	0	0	0	6
North Carolina								
	2019	7	1	0	0	0	0	8
	2020	8	0	0	0	0	0	8
	2021	8	1	1	0	0	0	8
Ohio								
	2019	2	2	0	0	0	0	4
	2020	4	1	1	0	0	0	4
	2021	4	3	2	0	0	0	5
Oklahoma								
	2019	0	4	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Oregon								
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Pennsylvania								
	2019	2	0	1	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
Rhode Island								
	2019	1	0	0	0	0	0	1
	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
South Carolina								
	2019	1	2	0	0	0	0	3
	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Tennessee								

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
	2019	2	1	0	0	0	0	3
	2020	3	4	0	0	0	0	7
	2021	7	2	0	0	0	0	9
Texas								
	2019	23	2	0	0	0	0	25
	2020	25	4	0	0	0	0	27
	2021	27	12	5	0	0	0	34
Utah								
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Virginia								
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Washington								
	2019	1	2	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	2	0	0	0	1
Washington DC								
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Wisconsin								
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
Wyoming								
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Total								
	2019	150	39	12	0	3	0	174
	2020	174	44	13	0	0	0	205
	2021	205	50	22	0	0	0	233

[Remainder of page intentionally left blank]

TABLE NO. 4
STATUS OF COMPANY OWNED OUTLETS
FOR FISCAL YEARS 2019 TO 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New York							
	2019	0	0	3	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
Total							
	2019	0	0	3	0	0	3
	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2021

State	Franchise Agreements Signed but not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	3	2	0
Colorado	1	0	0
Idaho	1	0	0
Iowa	0	1	0
Michigan	2	1	0
Mississippi	0	1	0
Ohio	1	1	0
South Carolina	0	1	0
Tennessee	1	0	0
Texas	1	1	0
Washington	0	1	0
Wyoming	1	0	0
Total	11	9	0

A list of the names of all franchisees and the addresses and telephones numbers of their Businesses is attached as **Exhibit D** to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, 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 10 weeks of the issuance date of this disclosure document are listed on **Exhibit D** to this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last 3 fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the 911 Restoration System.

There are no trademark-specific organizations formed by our franchisees that are associated with the 911 Restoration System.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as **Exhibit E** are our audited financial statements for the periods ending December 31, 2021, December 31, 2020, and December 31, 2019. Our fiscal year ends December 31 of each year.

ITEM 22
CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement (with Conversion Addendum) – Exhibit B
Form of General Release – Exhibit G

ITEM 23
RECEIPTS

Attached as **Exhibit I** are 2 copies of an acknowledgment of receipt by you, acknowledging receipt of this Disclosure Document by you, together with accompanying documents. Please sign and date both, keeping one for your files.

EXHIBIT A
TO THE FRANCHISE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677	California, Commissioner of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 (866) 275-2677
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section G. Mennen Williams Building, 1 st Floor 525 West Ottawa Lansing, Michigan 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909
MINNESOTA	Minnesota Department of Commerce Securities-Franchise Registration 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
NEBRASKA	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723	Nebraska Department Of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2723

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	(402)471-2171	(402) 471-2171
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 (212) 416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, New York 12231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Director, Securities Division Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462 9582	Securities Division Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462 9582
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Director, Division of Insurance 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Ninth Floor 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051	Clerk, State Corporation Commission 1300 East Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064

EXHIBIT B
TO THE FRANCHISE DISCLOSURE DOCUMENT
911 RESTORATION FRANCHISE INC.

FRANCHISE AGREEMENT

- ☐ Traditional
- ☐ Conversion
- ☐ Micro-Market

FRANCHISEE

DATE OF AGREEMENT

TABLE OF CONTENTS

1.	DEFINITIONS.....	3
2.	GRANT OF FRANCHISE AND LICENSE.....	5
3.	TERRITORIAL SCOPE, FRANCHISEE RESTRICTIONS AND FRANCHISOR'S RESERVED RIGHTS.....	5
4.	TERM AND RENEWAL.....	7
5.	DUTIES OF FRANCHISOR.....	10
6.	CONFIDENTIAL OPERATIONS MANUAL.....	13
7.	PROPRIETARY MARKS, TRADE NAMES AND COPYRIGHTED MATERIALS	15
8.	PAYMENTS TO FRANCHISOR.....	17
9.	ADVERTISING.....	27
10.	REPORTING AND FINANCIAL MANAGEMENT REQUIREMENTS.....	30
11.	INDEPENDENT CONTRACTOR AND INDEMNIFICATION.....	31
12.	CONFIDENTIAL INFORMATION.....	33
13.	COVENANTS NOT TO COMPETE.....	34
14.	ASSIGNMENT AND RIGHT OF FIRST REFUSAL.....	36
15.	DEFAULT AND TERMINATION.....	39
16.	FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION.....	43
17.	MODIFICATION OF SYSTEM.....	46
18.	GENERAL PROVISIONS.....	47
19.	DISPUTE RESOLUTION.....	52
20.	SUBMISSION OF AGREEMENT.....	54

EXHIBITS:

- A – Location and Territory
- B – Confidentiality Agreement
- C – Confidentiality and Non-Competition Agreement (Employees)
- D – Guaranty
- E – Electronic Transfer Authorization
- F – Credit Card Authorization
- G – Promissory Note and Individual Guaranty
- H – Security Agreement
- I – Conversion Addendum
- J – Multi-Territory Deposit Amendment
- K – Insurance Requirements

FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of _____, 20__ (the “**Effective Date**”) by and between **911 RESTORATION FRANCHISE INC.**, a California corporation (the “**Franchisor**”), on the one hand, and _____ an individual/partnership/corporation residing, formed, or incorporated in the State of _____ (the “**Franchisee**”), on the other hand, with reference to the following facts:

A. Franchisor, as the result of the expenditure of time, skill, effort, and money, has developed, and is in the process of further developing, a unique, proprietary and evolving system (hereinafter the “**System**”) for, among other things, providing and marketing of emergency clean-up from fire damage, water damage and mold damage, as well as providing mold inspections, carpet cleaning, duct cleaning and crawl space cleaning, using the “**Proprietary Properties**,” “**Copyrights**,” “**Know How**,” and “**Proprietary Marks**,” all as defined in further detail below;

B. Franchisee desires to enter into the business of owning and operating a 911 Restoration Franchised Business (“**911 Restoration Business**” or “**Franchised Business**”) in accordance with the System and wishes to obtain a franchise from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith.

C. Franchisee understands and acknowledges the importance of, and benefits to be derived from, the System, as well as Franchisor’s high standards of quality and service, and the necessity of operating the Franchised Business in conformity with Franchisor’s standards and specifications.

D. Franchisee desires to obtain a franchise and license to use the System and the Proprietary Marks at the location described in Exhibit A, pursuant to the provisions of this Agreement, and Franchisee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Franchise Agreement by counsel of its own choosing and represents and warrants that it has the business experience and financial ability to operate a 911 Restoration Business, and Franchisor is willing to grant Franchisee such franchise and license under the terms and conditions of this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

In addition to any other terms defined in this Agreement, the following definitions shall govern this Agreement:

“**Affiliate**” or “**Affiliates**” mean any person or entity that controls, is controlled by, or is under common control with, a party to this Agreement. Control of a person or entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or entity whether by contract or otherwise.

“**Agreement**” means this document, including all exhibits hereto and documents referenced and incorporated herein, and any properly executed documents or agreements modifying the System.

“**Business Launch Fee**” means the \$1,500 fee that Franchisee must pay Franchisor for Franchisor’s guidance and assistance in planning and launching the Franchised Business. Materials supplied generally include customized websites, social media, dedicated telephone numbers, plans, marketing collateral, customer lists / targets and appointment setting services from an approved vendor.

“Copyrights” means all work rendered in a tangible medium of expression as defined under U.S. Copyright Law, 17 U.S.C. Sec. 101, *et seq.*, that relates to the 911 Restoration Business, whether published or unpublished, whether confidential or not, whether created by Franchisor, its Affiliates or one (1) or more of its franchisees, assigned hereunder to and owned by, or licensed to Franchisor and licensed for use by Franchisee as part of the 911 Restoration Business under this Agreement, including without limitation, Franchisor’s Confidential Operations Manuals (the **“Manuals”**).

“Franchised Business” or **“911 Restoration Business”** means the business that Franchisee is licensed to conduct in the Territory.

“Gross Revenue” shall have the meaning set forth in Section 8.5 of this Agreement.

“Initial Training Fee” means the \$2,500 fee that Franchisee must pay Franchisor for the Initial Training Program to conduct the Franchised Business under this Agreement.

“Know How” means Franchisor’s: (a) trade secrets and know-how, whether existing now or created during the term of this Agreement by Franchisor, its Affiliates and/or one (1) or more of its franchisees (and assigned back to Franchisor), as conveyed to Franchisee, that relate to, *inter alia*, Franchisor’s products and/or processes, marketing practices, and business methods, affairs, tools and techniques, as well as including its customers or prospective customers lists and trade relationships including pricing information, which tends to give Franchisor and its network of franchisees a competitive edge over others who provide the same or similar products or services in the field of hazardous response services; (b) inventions that may be protected by the filing of U.S. patent applications under Title 35 of the United States Code and/or foreign statutory counterparts; and (c) all unpublished or otherwise confidential work that has been rendered and “work made for hire” protected under Title 17 of the United States Code and other applicable foreign copyright statutes. Know How need not take the form of any particular tangible medium of expression, but may also be found or contained in the form of records, magnetic media, papers, photographs, catalogs, books, cassettes, videotapes, computer files, or stored or fixed on computer hard or soft disks or diskettes.

“Products and Services” means the products and services approved by us for franchisees in the System to offer and/or provide to their customers, as may be modified during the term of this Agreement.

“Proprietary Marks” means all the trademarks, service marks, logos, emblems, and indicia of origin used or contemplated to be used by Franchisor and/or one (1) or more of its franchisees and other such trade names, service marks and trademarks as may be designated now or hereafter by Franchisor.

“Proprietary Properties” means the Copyrights, Know How, Operations and other Manuals and Proprietary Marks.

“Restoration Services” means jobs that involve at least one of the following services: water mitigation, mold remediation, sanitization, content removal and storage, air duct cleaning, crawl space, insulation and/or fire/smoke damage abatement.

“Royalty Fee(s)” shall have the meaning set forth in Section 8.4 of this Agreement.

“System” means the system of operations developed by Franchisor as a result of the expenditure of time, skill, effort, and money for the establishment and operation of 911 Restoration Businesses that utilize the Proprietary Properties and provide the Products and Services and the marketing of such 911 Restoration Businesses and the Products and Services.

“**Territory**” means and constitutes the protected territorial limits of the license granted to Franchisee hereunder (geographically defined in **Exhibit A**, which Exhibit is hereby incorporated by reference) to use the Proprietary Marks, Know How, Manuals, Copyrights, and any other Proprietary Properties as part of the System in connection with the Franchised Business, in accordance with the definitions and terms of this Agreement.

2. **GRANT OF FRANCHISE AND LICENSE**

2.1 **Grant of Franchise.** Subject to the provisions of this Agreement and all documents or other agreements ancillary thereto, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, the franchise and license to operate a 911 Restoration Business within Franchisee’s Territory, in accordance with Franchisor’s specifications and this Agreement, and subject to Franchisor’s approval. This license is not sublicensable, subcontractable, nor assignable, except as may be set forth in this Agreement. Franchisee agrees to use the Proprietary Properties solely for the Franchised Business in Franchisee’s Territory, and for no other purpose. Franchisee is required to be “open for business” and accepting “warm transfers” 24/7/365, as calls for Services often will come to Franchisee in the middle of the night or during weekends/holidays.

2.2 **Location of the Franchised Business.** The specific street address of the Franchised Business accepted by us shall be set forth in **Exhibit A** (“**Location**” or “**Accepted Location**”). This Agreement does not grant to Franchisee the right or license to operate the Franchised Business or to offer or sell any products or services described under this Agreement at or from any other location.

2.3 **Relocation of the Franchised Business.** To protect the System, the Proprietary Marks, the Copyrights, the Proprietary Properties, Know How and the goodwill associated with the same, Franchisee shall not relocate the Franchised Business without Franchisor’s express prior written consent, which consent shall not be unreasonably withheld. Franchisor shall not consent to any relocation of the Franchised Business to any location outside of Franchisee’s Territory. Franchisor will use Franchisor’s then-current site review criteria when reviewing the relocation site, and any proposed relocation shall not have any adverse impact on the sales of franchisees in any adjoining Territory, which shall be determined by Franchisor in Franchisor’s sole determination.

2.4 **Option to Obtain Conditional Rights to Obtain Additional Franchised Territory.** If Franchisee desires to obtain and qualifies to acquire franchises for additional geographic territories (each, an “**Additional Franchise Territory**”), Franchisee shall have the option to obtain conditional rights to acquire a franchise for one and, if applicable, two (2) Additional Franchised Territories, subject to Franchisee’s execution of the Multi-Territory Deposit Amendment attached to this Agreement as **Exhibit J**, and Franchisee’s payment of the Deposit in a lump sum for each Additional Franchised Territory proposed to be acquired by Franchisee.

3. **TERRITORIAL SCOPE, FRANCHISEE RESTRICTIONS AND FRANCHISOR’S RESERVED RIGHTS**

3.1 **Restriction on use of Proprietary Properties.** Franchisee’s right to operate the Franchised Business and the right to use and display the Proprietary Marks and other Proprietary Properties is restricted to the Territory described in **Exhibit A**. No use of any part or all of the Proprietary Properties is permitted outside the Territory, unless in accordance with this paragraph. It is recognized that, upon occasion, it may be necessary and helpful for Franchisee to, on a per incident basis, provide services outside of the Territory. In such circumstances, should Franchisee need to operate any portion of the

Franchised Business in an area outside of the Territory, then such operation shall: (a) be restricted to a per incident basis; (b) be subject to the express written approval of Franchisor, which permission shall not be unreasonably withheld; and (c) require the consent, in advance of the incident, of any other franchisee in whose territory the incident is to occur. No franchisee shall unreasonably withhold consent to such per incident operation, including Franchisee. Disputes regarding the location of boundaries between adjacent franchisees (referred to as “**Franchisee Parties**” for the purposes of this Section 3.1) that cannot be resolved to the satisfaction of those Franchisee Parties by Franchisor, will be resolved in binding arbitration between the Franchisee Parties, and with Franchisor as an additional party. The Franchisee Parties shall equally bear the expense of arbitration. Arbitration shall be governed by the procedures set forth by the American Arbitration Association, the contents of which are incorporated herein by reference. In making its determination, the Arbitrator shall rely upon the Territory guidelines set forth in this Agreement. Each Party shall continue to perform its obligations under this Agreement pending final resolution of any such dispute.

3.2 Limitations on Franchisee’s Activities and Control of CAT Opportunities. Franchisee’s activities are limited to offering and selling those Products and Services permitted by way of this Agreement under the System from the approved location(s) in the Territory. Franchisee has been granted no right of ownership in and/or to any part or all of the Proprietary Properties. In the event a catastrophic event (“CAT”) occurs in the Territory, Franchisee shall automatically relinquish the right to sell Products and perform Services as it relates to the CAT, as such right shall belong exclusively to Franchisor or as Franchisor shall designate.

3.3 Rights Reserved to Franchisor Franchisor reserves the right: (i) of ownership in, and control over the Proprietary Properties; (ii) to grant additional franchises, whether similar or dissimilar to the franchise granted by this Agreement, outside of the Territory; (iii) to engage fully and freely and without limitation in each and every aspect of the business of selling related services, products and equipment; (iv) to offer to the public-at-large, separately, jointly or with others, all related services and/or products of every type and kind; (v) to employ and exploit the Proprietary Marks, Copyrights, and Know How in connection therewith; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided from 911 Restoration Businesses and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided from 911 Restoration Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses; and (viii) engage in all other activities that this Agreement does not expressly prohibit. Provided Franchisee is not in default under this Agreement, and except as provided for elsewhere in this Agreement, Franchisor agrees to refrain from directly providing emergency clean-up and restoration services or licensing others to provide the Products and Services in Franchisee’s Territory. The foregoing notwithstanding, Franchisor may provide such services, where: (a) Franchisee is unable, unwilling or fails to perform or is otherwise in default under this Agreement; or (b) in an emergency situation requiring disaster response in which Franchisee is unable, unwilling or fails to respond; or (c) Franchisee requests such assistance or services from Franchisor and Franchisor agrees to provide the same.

3.4 National Accounts Program. Franchisor or its Affiliates may, in their discretion, establish and maintain a National Accounts Program under which Franchisor or its Affiliates will attempt to create interest in, and develop relationships with, regional or national companies that that provide or require emergency clean-up from fire damage, water damage and mold damage, mold inspections, carpet cleaning, duct cleaning, sanitization, crawl space cleaning, and other Products and Services provided by 911 Restoration Businesses. Franchisor and its Affiliates shall have discretion to determine the

referral policies and fees for Franchisee to participate in the National Accounts Program, which shall be set forth in the Manual. As long as Franchisee is not in default under this Agreement and, in Franchisor's reasonable business judgment, has the necessary equipment, personnel, resources and training, Franchisor shall offer Franchisee the opportunity to accept projects within the Territory requiring the Products and Services pursuant to the requirements of any National Accounts Program that Franchisor and its Affiliates may implement. If any Affiliate of Franchisor operates in the Territory, Franchisor shall adhere to the referral policies set forth in the Manual and refer projects from the National Accounts Program in accordance with that policy to Franchisee or Franchisor's Affiliate according to who Franchisor believes, in Franchisor's reasonable business judgment, is best suited to perform the particular project in view of the project's size, technical requirements, deadlines for completion and other specifications. Franchisor shall attempt to allocate referrals requiring the Products and Services in the Territory in an orderly manner so that Franchisee and Franchisor's Affiliate will receive a comparable number of referrals. However, Franchisee acknowledges and agrees that Franchisor does not represent or guaranty that the number of projects referred to Franchisee, or the aggregate Gross Revenues of those projects, will be equal to Franchisor's Affiliates also doing business in the Territory. Neither Franchisor nor its Affiliates shall be liable to Franchisee for allocation decisions made in the exercise of their reasonable business judgment. Franchisee shall not be required to accept any project referred to Franchisee under this Section 3.4; provided, however, that if Franchisee refuses a project, Franchisee shall not be entitled to be referred a replacement project. If Franchisee accepts a National Accounts project referred by Franchisor or its Affiliates, Franchisee shall abide by all applicable policies and procedures with respect to the National Account, including the pricing of projects and any fees related thereto.

3.5 **Provision of Services** If Franchisee performs services for or sell products to a client that is located within the territory of another 911 Restoration in the System, then Franchisee shall be obligated to pay that other franchisee an amount equal to five percent (5%) of the total revenue for the services performed and/or products sold. It is the obligation of the Franchisee performing services pursuant to this Paragraph 3.5 to advise the other Franchisee of the performance and fee owing in connection therewith. This payment shall be in addition to any amounts Franchisee owes to Franchisor pursuant to this Agreement. Franchisee acknowledges and agrees that Franchisee may not solicit business in another franchisee's territory. However, Franchisee may accept jobs from within another franchisee's territory if such jobs are unsolicited and Franchisee pays the fee required. Any calls for service or products referred from Franchisor's dispatch center that Franchisor sends to Franchisee and if Franchisee: (a) chooses not to provide service; (b) does not answer the call or otherwise unable to service the call for any reason; or (c) is unable to provide service in a timely manner, will be excluded from this Section 3.5 and Franchisee will not be entitled to receive any payment from the servicing franchisee. Likewise, if another 911 Restoration in the System performs services for or sells products to a client that is located within the territory and such jobs are unsolicited, then they shall be obligated to pay to Franchisee an amount equal to five percent (5%) of the total revenue for the services performed and/or products sold.

4. **TERM AND RENEWAL**

4.1 **Initial Term**. The term of this Agreement shall be seven (7) years commencing on the date of this Agreement, unless sooner terminated in accordance with the provisions of this Agreement (the "**Initial Term**"), renewable for one (1) successive seven (7) year term as indicated in Section 4.2 below.

4.2 **Renewal Term**. If Franchisee has complied with the conditions for renewal set forth in Section 4.3 below, Franchisee shall have the right, but not the obligation, to enter into one (1) successive renewal Franchise Agreement for seven (7) years (the "**Renewal Term**"), under the then-current Franchise Agreement. If Franchisee wishes to renew the Franchise Agreement after Franchisee's first Renewal

Term, any such additional renewals shall be in Franchisor's sole discretion and subject to Franchisor's then-current requirements.

4.3 **Grant of the Renewal Term.** Franchisee's right to enter into the Renewal Term is contingent upon Franchisee's fulfillment of all the following conditions:

4.3.1 Upon Franchisee's exercise of such right and at the commencement of any Renewal Term, Franchisee shall have fully performed all of its obligations under this Agreement to Franchisor's satisfaction, including, without limitation, having satisfied all monetary obligations to Franchisor, its Affiliates, subsidiaries, agents, and authorized designees, if any, and having met such obligations in a timely and responsible manner throughout the Initial Term without chronic non-performance as demonstrated by due notice having been provided to Franchisee by Franchisor pursuant to Sections 16.2 and 16.3.

4.3.2 Franchisee, at the commencement of a Renewal Term, shall satisfy: (i) Franchisor's then-current standards applicable to the System; (ii) the requirements of the then-current Franchise Agreement and all other agreements ancillary thereto; (iii) Franchisor's then-current training certification requirements, including the required Institute of Inspection, Cleaning and Restoration Certification ("**IICRC**") certification and Franchisee's demonstrable ability to perform all services which are part of the System at the time of renewal (unless waived by Franchisor); (iv) the standards set forth in Franchisor's then-current Manual; and (v) Franchisor's requests for disclosure of, or access to information requested by Franchisor to evaluate Franchisee's ability to perform.

4.3.3 Franchisee shall not be in default of any provision of this Agreement or any other agreement with Franchisor, its Affiliates, subsidiaries, agents, and authorized designees if any.

4.3.4 Franchisee shall have executed a general release, in form and substance satisfactory to Franchisor and/or its counsel, of any and all present claims against Franchisor and its Affiliates, subsidiaries, and designees, if any, and their respective officers, directors, shareholders, agents, contractors, and employees, in their corporate and individual capacities, arising out of or related to the Agreement. Upon written request of Franchisee, Franchisor shall provide to Franchisee, simultaneously with execution of the renewal Franchise Agreement, a general release having the same scope as that provided by Franchisee under this Section 4.3.4.

4.3.5 Franchisee shall pay to Franchisor a \$2,500 renewal fee. If Franchisee is renewing multiple franchises within the same calendar year then renewal fees will be due for each franchise renewed up to a total of \$7,500.

4.3.6 When Franchisee provides Franchisor with notice that Franchisee would like to renew this Agreement, Franchisor will re-evaluate Franchisee's then-current Territory to determine whether there have been any shifts in demographics that would warrant modifying Franchisee's Territory. Such demographic shifts include, but are not limited to, changes in population. Franchisor's intent in doing such re-evaluation of Franchisee's Territory is to make the target demographics of Franchisee's Territory upon renewal similar to the target demographics of Franchisee's original Territory. Franchisee understands and acknowledges that although Franchisor will use Franchisor's best efforts to ensure that the demographics included in Franchisee's renewal Territory are similar to the original Territory, (a) Franchisee's total Territory size upon renewal may be smaller or larger than Franchisee's original Territory; (b) Franchisor cannot guaranty that Franchisee's renewal Territory will provide Franchisee with the same or similar results as with Franchisee's original Territory; and (c) Franchisor makes no guaranty that the demographics included in Franchisee's renewal Territory will earn Franchisee any particular level of success.

4.4 Execution of Renewal Franchise Agreement. If Franchisee wishes to exercise its right to enter into a renewal Franchise Agreement, it shall do so by executing Franchisor's then-current form of Franchise Agreement ("**then-current Franchise Agreement**" or "**renewal Franchise Agreement**"), which agreement shall supersede this Agreement, modified to reflect the static conditions indicated above.

4.4.1 Franchisee shall execute Franchisor's then-current Franchise Agreement on the form then being used by Franchisor. The terms of any renewal Franchise Agreement may be materially different from the terms of this Agreement. Such differences may include, without limitation, the amount of the continuing royalty imposed upon Franchisee for any such Renewal Term, which may be higher than required in this Agreement, but will otherwise conform to the conditions of Section 4.3.

4.4.2 Franchisee must exercise its right to renew for a Renewal Term in the following manner: (i) not less than one hundred eighty (180) days, but no more than two hundred forty (240) days prior to the expiration of the Initial Term, Franchisee will, by written notice, inform Franchisor of its intention to exercise its renewal right; (ii) within thirty (30) days after receipt of Franchisee's request, if Franchisee has complied with all conditions precedent to renewal set forth above, Franchisor will deliver to Franchisee a copy of its then-current Franchise Disclosure Document (including its then-current Franchise Agreement), and promptly upon the receipt of same Franchisee will, in writing, acknowledge the receipt thereof; (iii) no sooner than fourteen (14) days but no more than twenty (20) days after Franchisee receives Franchisor's then-current Franchise Disclosure Document (including Franchisor's then-current Franchise Agreement modified in accordance with Section 4.3), Franchisee will, by written notice, notify Franchisor as to whether or not it elects to execute Franchisor's then-current form of Franchise Agreement; (iv) promptly upon receipt of Franchisee's notice of its election to execute Franchisor's then-current Franchise Agreement, Franchisor will deliver to Franchisee two (2) copies of the then-current Franchise Agreement. Promptly upon receipt thereof, Franchisee will execute two (2) copies of the then-current Franchise Agreement and return them to Franchisor; (v) if Franchisee fails to perform any of the acts or fail to deliver any of the notices required by this Subsection 4.4.2 in a timely fashion, such failure shall be deemed an election by Franchisee not to renew, and such failure causes Franchisee's renewal right to expire without further notice or action by Franchisor; and (vi) if Franchisee exercises its renewal right in the form and manner described in this Section 4.4, and if on the expiration date of the Initial Term Franchisee has complied with all of the conditions set forth in Section 4.3, Franchisor will execute the renewal Franchise Agreement previously executed by Franchisee and will promptly deliver one (1) fully executed copy of the renewal Franchise Agreement to Franchisee.

4.5 Refusal to Renew Franchise Agreement. Franchisor may withhold its consent to renew Franchisee's franchise (i) if Franchisee's lease, sublease or other document by which Franchisee has the right to occupy the premises is not extended before Franchisee's renewal term is to take effect to cover the period of the renewal; or (ii) if Franchisee does not have a written commitment from Franchisee's landlord to renew the lease or sublease for a period at least equal to the renewal term. Franchisor may also refuse to renew Franchisee's franchise under other circumstances, including, but not limited to, Franchisee's failure to substantially comply with the terms of this Agreement, Franchisee's failure to pay amounts owed to Franchisor when due, as well as Franchisee's failure to cure certain defaults during the Initial Term of this Agreement within the period prescribed by this Agreement.

4.6 Renewal Under Law. Even though Franchisor decline the renewal of Franchisee's franchise, it is possible that Franchisor can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the concerned law, rule, regulation, statute, ordinance or order, Franchisee's Renewal Term will be subject to the conditions of the Franchise Agreement Franchisor are using for new franchisees at the time the renewal

period begins. If Franchisor is not then offering new franchises, Franchisee's renewal period will be subject to the terms in the Franchise Agreement that Franchisor indicates. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

4.7 **Franchisee's Election Not to Renew.** For the purposes hereof, Franchisee shall be deemed to have irrevocably elected not to renew the franchise hereunder (and the option to do so shall thereupon terminate) if Franchisee fails to execute and return Franchisor's then-current Franchise Agreement and other ancillary documents required for a renewal franchise within thirty (30) days after Franchisee receives the agreements.

5. **DUTIES OF FRANCHISOR**

5.1 **Confidential Operations Manual.** Franchisor will, in conjunction with Franchisor's training program and in conformity with the terms and conditions of this Agreement, provide to Franchisee one (1) copy of the "Manual". Use of any part or all of the Manual **shall be only as permitted under this Agreement, and during** its term. Franchisee acknowledges and agrees that the Manual is provided to Franchisee on loan only for the duration of this Agreement, and that Franchisor is the exclusive owner of the Manual and the contents therein. At Franchisor's option, Franchisor may post the Manual and other communications on a restricted intranet or other website to which Franchisee will have access. If Franchisor does so, Franchisee must periodically monitor the site for any updates to the Manual or other standards, specifications and procedures. Any passwords or other digital identifications necessary to access the Manual on such a site shall be deemed Confidential Information. Further, Franchisee agrees that Franchisee will establish the channels of communication with Franchisor and Franchisee's customers as Franchisor may require from time to time, including e-mail, text message, internet and other electronic forms of communication, and Franchisee agrees to acquire and maintain any computer, tablet, cell phone device or other components necessary for the transmission of such communications. In addition to any other training offered to Franchisee, Franchisor may from time to time furnish to Franchisee other documents and things comprising the Copyrights or Know How, including instructions, data, materials, forms or other information relating to the System. Franchisor has the right to reasonably incorporate such matters in the Manual and Franchisee must conduct the operations of the Franchised Business in accordance therewith.

5.2 **Websites.** As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees that Franchisor and/or Franchisor's Affiliate may establish one or more websites to advertise market and promote 911 Restoration Businesses, the services they offer and sell, and/or the 911 Restoration franchise opportunity. Franchisor may designate a web page within the website for each Franchised Business. Franchisor may implement and periodically modify standards for any such website and individual web pages. Franchisee may not establish a website for Franchised Business or related to the Proprietary Marks and the System, other than the web page designated to describe Franchisee's Franchised Business which is identified on Franchisor's website. Franchisee may not promote Franchisee's Franchised Business or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without Franchisor's prior express written consent. Franchisor has control all social media initiatives. Franchisee must follow Franchisor's System standards regarding the use of "**social media**" in Franchisee's Franchised Business's operation, including prohibitions on Franchisee's and the Franchised Business's employees posting or blogging comments about the Franchised Business or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook and MySpace, professional networks like LinkedIn, live-

blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). Franchisor will provide access to branded social media pages/handles/assets, and Franchisee must update these regularly. Franchisor may conduct collective/national campaigns via local social media on Franchisee's behalf. If Franchisee establishes a website or other presence on the internet without Franchisor's express written consent, it shall be deemed a default of this Agreement pursuant to Article 17.

5.3 **Initial Training Program and Additional Assistance.** Within thirty (30) days after Franchisor signs this Agreement, Franchisor will offer mandatory training to Franchisee (the "Initial Training Program") of such duration as Franchisor deems necessary. The Initial Training Program will be held at Franchisor's headquarters or at such location(s) as Franchisor designates. The Initial Training Program shall not be provided if (i) Franchisee, any Affiliate of Franchisee, or an owner of either Franchisee or any Affiliate of Franchisee owns or operates a 911 Restoration Business as of the Effective Date; or (ii) this Agreement is executed as a renewal Franchise Agreement. The Initial Training Program will include training regarding operational, management and marketing training pertaining to the 911 Restoration System for Franchisee and one (1) additional supervisory or managerial personnel of Franchisee, for a maximum of two (2) trainees. If Franchisee is a corporation, limited liability company or a partnership, its duty to complete the Initial Training Program will be discharged by the completion of the Initial Training Program by at least one (1) equity holder owning at least fifty percent (50%) of the interests of the entity, or its chief executive officer. Franchisor will pay no compensation for any services performed by the participants in the course of training. Franchisor may, in its absolute discretion, change the subject matter and content of its Initial Training Program at any time without notice, including to accommodate the needs and/or experience of any individual trainee. Franchisor reserves the right to elect or decline to train any number of individuals representing any number of franchises individually, or at the same time. Each trainee must sign a Confidentiality and Non-Competition Agreement in advance of receiving any such training.

5.4 **Additional Assistance.** Franchisor will provide such additional advisory assistance and training as Franchisor deems advisable in the operation of the System, on such terms and conditions as Franchisor determines and sets forth in the Manual or otherwise. Franchisor may, in its sole and exclusive discretion, cause its representatives to telephone or visit Franchisee's Business from time to time for the purpose of rendering advice and consultation with respect to the operation of the Franchised Business, assessing Franchisee's overall performance and determining whether Franchisee is conducting the Franchised Business in compliance with the standards of the System. Franchisee agrees to comply with all such requests and visitations, and provide all information requested upon reasonable notice. If Franchisor generates an inspection report as a result of any such telephone call or visit, then Franchisor shall supply a copy of the inspection report to Franchisee, upon reasonable written request by Franchisee.

5.4.1 Franchisor may, at Franchisee's reasonable request, enroll additional supervisory or managerial personnel in Franchisor's Initial Training Program either before or after the opening date of Franchised Business, provided that Franchisee pays Franchisor its then-current training fee (as set forth in the Manual), as well as the expenses incurred by its designated personnel trainees, including travel, lodging, meals and wages. Such requests will be honored in accordance with the availability of Franchisor's training staff.

5.4.2 In the event of a valid and complete sale or assignment of the Franchised Business by Franchisee to a third party (as provided for hereafter), Franchisor will train such third party and one other supervisory or managerial designated by it in the same manner and under the same circumstances described in this Section 5.5. The third party must pay Franchisor's then-current training

fee for each individual trained (in addition to any fees or other requirements attendant to the assignment), as well as the trainees' expenses, including travel, lodging, meals and wages.

5.4.3 In the event Franchisee hires any personnel to perform emergency response work, pursuant to the requirements of this Agreement and the specifications set forth in the Manual, such personnel are required to attend and successfully complete, at Franchisee's cost and expense, Franchisor's online Initial Training Program before performing such services.

5.5 **Refresher Training.** Each year at Franchisee's cost and expense, Franchisee is required to attend Franchisor's Annual Refresher Training program at a location determined by Franchisor. Attendance at this program is mandatory, and Franchisee's failure to attend is a default under Article 17. Upon written application by Franchisee, Franchisor will waive attendance upon a showing of an emergency situation or event. If Franchisee desires to have its supervisory or managerial personnel attend the Annual program, Franchisee must obtain prior written approval from Franchisor, and each attendee must sign a Confidentiality and Non-Compete Agreement substantially in the form attached hereto as **Exhibit B** in advance of attendance.

5.6 **Purchases of Materials and Approved Suppliers.** In order to maintain uniformity of concept, color and quality, Franchisee must purchase all proprietary materials and forms exclusively from Franchisor or its Affiliates in accordance with the terms and procedures set forth in the Manual. Franchisor reserves the right to earn a profit on the sale of such items. The use or sale of unapproved products or services constitutes a material and incurable breach of this Agreement unless such use or sale occurs as a consequence of an extreme situation and does not constitute a normal business activity.

5.6.1 Certain materials (letterhead, business cards, labels, log and job invoices, etc., but excluding other proprietary forms, logoed items and apparel or promotional materials) bearing the Proprietary Marks may be procured from a source other than Franchisor, provided Franchisee first seeks and obtains prior written approval of Franchisor, which approval will not be unreasonably withheld. Franchisee is not required to purchase any non-proprietary materials from Franchisor. However, Franchisee must purchase any proprietary materials specified for use in the System exclusively from Franchisor or its Affiliates. For any non-proprietary materials Franchisee purchases from a third party vendor Franchisee agrees to strictly comply with Franchisor's reasonable quality control requirements and the usage permitted under this Agreement, and approval of such shall not be unreasonably withheld.

5.6.2 Franchisor will, at all times during the term of this Agreement, provide information pertaining to sources of supply of those proprietary and non-proprietary products and services which may be used in this System, upon reasonable written request. If Franchisee finds a distributor or source of certain products that meet System standards, Franchisee will inform Franchisor of the source, and subject to review of the products, Franchisor will allow Franchisee to purchase from that distributor, and such approval shall not be unreasonably withheld. Franchisee may designate the method of remittance subject to the approval of Franchisor, which approval shall not be unreasonably withheld.

5.7 **Advertising Fund.** Franchisor will administer the Advertising Fund, as described in **Article 10.**

5.8 **Pricing.** Subject to applicable law, Franchisor may advise Franchisee in writing as provided in **Section 19.5,** from time to time, concerning the maximum prices which Franchisee should charge its customers for services provided or goods sold under the System. Any such advice, if given at all, will be binding on Franchisee, subject to applicable law, since the purpose of providing such advice is to enhance inter-brand competition and would provide certain economic benefits to Franchisee's clients. Nothing contained herein shall be deemed a representation by Franchisor that if Franchisee follows such

advice it will, in fact, generate or optimize profits. Subject to applicable law, Franchisee is obligated to inform Franchisor of all prices charged for services and products sold by Franchisee and to inform Franchisor of any modifications of Franchisee's prices.

5.9 **Force Majeure.** Delays in the performance by either party of any obligations that are not the fault of nor within the reasonable control of the delayed or non-performing party, including fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders, do not give rise to a default by the other party provided, however, that "**force majeure**" shall not include Franchisee's lack of financing. Rather, the other party will be required to extend the time of performance of any such obligations for the period of such delay or for such other reasonable period of time as may be appropriate in the circumstances.

5.10 **Promotional Activities.** Franchisor will independently fund and participate in shows and other promotional activities directed to the "business to business" marketing and finding of potential new franchisees, in its sole discretion. Franchisor, with the cooperation of its franchisees will participate in marketing programs as determined under Article 10.

5.11 **National Call/Dispatch Center.** Franchisor has established a National Call/Dispatch Center program that intakes calls for services. This program will dispatch calls to Franchisee from Franchisor's call center and distribute the jobs to the nearest 911 Restoration business. Franchisor is not liable for any leads that are "lost" or transferred to another Franchise by mistake. Franchisee understands the terms and services of Franchisor's Call Center will be stated in the Manual and are subject to change during the Initial Term at Franchisor's discretion. Although Franchisor does not charge a fee for this service as of the date of this agreement, Franchisor reserves the right to do so in the future. In addition, Franchisor reserves the right to require Franchisee to sign a Call Center Agreement in the future. If Franchisor receives a service job in Franchisee's region and Franchisee (a) chooses not to provide service; or (b) is unable to service the call in a timely manner, then Franchisor reserves the right to offer the service job to another party and Franchisee will not receive five percent (5%) of revenue that Franchisee would otherwise be entitled to per Section 3.5 above.

5.12 **Meetings of Franchisees.** In Franchisor's discretion, it may choose to hold an annual meeting of 911 Restoration franchisees to conduct additional training, announce new products and/or services or discuss any other matters of interest ("Annual Convention"). If and when held, the Annual Convention will be mandatory for all franchisees. At least one (1) supervisory or managerial representative from each 911 Restoration Business in the System must attend. Franchisee will bear all costs related to attending the annual meeting, including travel, lodging, meals and wages, as well as a nominal fee that Franchisor may assess.

6. **CONFIDENTIAL OPERATIONS MANUAL**

6.1 **Operation of Franchised Business in Accordance with Manual.** In order to protect the reputation and goodwill of Franchisor, the System, and the Proprietary Properties, and to maintain requisite operating standards under the Proprietary Marks, Franchisee agrees to conduct the Franchised Business in accordance with the provisions, standards, and procedures set forth in this Agreement and the Manual.

6.2 **Confidentiality.** Franchisee will at all times treat the Manual, and any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein as Confidential Know How, and shall use its best efforts to maintain such information as secret and confidential in accordance with the terms and conditions governing Know How and Copyrights. To protect the System, the Proprietary Marks, the Copyrights, the Proprietary Properties, Know How

and the goodwill associated with the same, Without Franchisor's prior written consent, Franchisee may not, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. Franchisee's supervisory or managerial personnel who have executed the Employee Non-Competition and Non-Disclosure Agreement, annexed hereto as **Exhibit C**, may receive confidential information.

6.3 **The Manual Remains Franchisor's Property.** The parties acknowledge and agree that Franchisor is the exclusive owner of the Manual and that the Manual is perpetually Franchisor's sole property. Franchisee must return the Manual to Franchisor immediately upon the expiration or termination of this Agreement.

6.4 **Revisions to the Manual.** Franchisor may, from time to time, revise the contents of the Manual when it reasonably considers such revisions to be necessary to improve or maintain the standards of the System and Franchisee expressly agrees to comply with each new or changed standard, provided, however, that such revisions relate solely to operational matters, are made for all franchisees, are reasonable in nature, and comply with the conditions of **Section 5.1**. Any such revisions to the contents of the Manual are deemed effective seven (7) days after the date of certified mailing of the revisions to Franchisee unless otherwise specified by Franchisor.

6.5 **Precedence of Terms.** Franchisee acknowledges the contents of the Manual, and any revisions or modifications made to the Manual in conformity with **Section 5.1**, constitute additional provisions of, and modifications to this Agreement as if fully set forth in this Agreement. Should any term of the Manual not be consistent with any term of this Agreement, then this Agreement will take precedence over the inconsistent term in the Manual, the inconsistent term of the Manual will not be followed, and the inconsistent term of the Manual, once brought to the attention of Franchisor, will be promptly changed to conform with the term of this Agreement.

6.6 **Manual Kept Up to Date.** Franchisee will at all times insure that its copy of the Manual is kept current and up to date, and in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at its headquarters controls. All changes and revisions will be dated and numbered by Franchisor. Franchisee will receive one (1) copy of the Manual for operations purposes on loan.

6.7 **Modification of Operational Standards.** Franchisor and Franchisee acknowledge there may be circumstances that require Franchisee to modify the implementation of the standards and guidelines set forth in the Manual. Franchisor and Franchisee recognize the Manual is an operational guideline for conducting Franchisee's business operations and, although Franchisee shall use its best efforts to faithfully follow the standards and guidelines set forth in the Manual, Franchisee will be permitted to modify the operational standards and guidelines so that its business is best served. Franchisee acknowledges and understands, however, that any variance or modification of operational standards Franchisor grant to another franchisee in the System does not entitle Franchisee to a similar variance or modification.

6.8 **Grant to Franchisor.** To the extent that any improvements, inventions or discoveries are made by Franchisee, or Franchisee's employees or agents, during the course of this Agreement and relating to the Proprietary Properties or System ("**improvements**"), such improvements are deemed assigned to, and owned by Franchisor for the purpose of improving the entirety of the franchised network, and the provision of goods and services in accordance with the System. All documents and other information concerning any such improvements will be disclosed to Franchisor promptly after creation or invention. Franchisor will, in its reasonable discretion, determine whether such improvements are worthy of inclusion in the System, and the best and most practical method of implementation and protection.

Franchisee will execute all documents reasonably necessary to perfect Franchisor's ownership in and to any such improvements, and will cooperate with Franchisor in the creation, implementation, use and protection thereof.

7. PROPRIETARY MARKS, TRADE NAMES AND COPYRIGHTED MATERIALS

7.1 **No License to the Proprietary Properties.** The license granted in Section 2.1 does not grant Franchisee any right, title or interest, at law or in equity, in or to any of the Proprietary Properties, including the Proprietary Marks, Copyrights, and Know How, beyond the license. Further, the license applies only to those portions of the Proprietary Properties which have been, or may be, designated in writing by Franchisor for use by Franchisee in conjunction with the operation of the Franchised Business. Franchisee will not represent to others, or conduct itself in any manner that might indicate to others, that it possesses any other legal or equitable rights in or to the Proprietary Properties by virtue of the license granted hereunder. The execution of this Agreement by Franchisee further establishes Franchisee's consent that the Proprietary Marks, Copyrights and Know How are valid and enforceable (without defense or recourse), and owned by Franchisor or its Affiliates. Franchisee represents and warrants that it will not attack the validity or, enforceability or ownership of any of the Proprietary Properties, or assist another in any such attack, during the course of this Agreement or thereafter. The terms of this Section shall survive termination or expiration of this Agreement for any reason, in addition to any of the other remedies or survival provisions otherwise contained in this Agreement.

7.2 **No Act in Derogation.** Franchisee shall not do or permit any act in derogation of any of the rights of Franchisor to its Proprietary Properties.

7.3 **No Contest or Dispute.** Franchisee shall not contest or dispute Franchisor's title to any part or all of the Proprietary Properties.

7.4 **Use of Proprietary Properties.** Franchisee must use the Proprietary Properties solely in accordance with this Agreement and the Manual.

7.5 **Restriction on Use of Proprietary Properties.** Franchisee shall not use the Proprietary Properties, or any words, phrases, symbols, trade dress, colors, logos or materials which Franchisor deems confusingly similar thereto, in its trade name (or for any other purpose) without Franchisor's prior written approval. In that connection, Franchisee will identify itself to the public as an independent contractor using such language as Franchisor shall specify.

7.6 **Discontinuance of Use; Telephone Numbers.** After the expiration or termination of this Agreement, Franchisee shall discontinue the use of the telephone number(s) of the Franchised Business and will not advertise in any telephone directory under the name "911 Restoration" or any other name, phrase or logo used by the System, discontinue use of any or all of the Proprietary Properties, and not use any words, phrases, logos, designs, colors, trade dress or the like that in any manner may cause customer confusion, or resemble, be confusingly similar to, or be a colorable imitation of the Proprietary Properties. Additionally, upon demand of Franchisor, Franchisee will direct its local telephone company to transfer the telephone number(s) to Franchisor or its designee. If Franchisee fails promptly to direct its telephone company to affect such transfer, Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to so act. The requirements as stated in this Section 7.6 shall not apply to any telephone number(s) owned by Franchisee prior to the Effective Date of this Agreement.

7.7 **Notification of Claim.** If Franchisee receives notice of or learns of any actual or potential claim, suit or demand that has been or may be asserted against it or Franchisor involving any alleged infringement, unfair competition, or similar matter relating to the use of the Proprietary Properties,

Franchisee must immediately notify Franchisor of any such actual or potential claim, suit or demand (a “**Claim**”) and provide complete disclosure of all information concerning or relating to such Claim, including, if requested, affidavit or other sworn testimony as Franchisor shall reasonably request to evaluate the Claim. Thereupon, Franchisor will promptly take such action as it may deem necessary in its sole discretion to address the Claim. Franchisor shall have complete discretion to decide whether to defend, compromise or settle the Claim, using attorneys of its own choosing and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any Claim. Franchisor shall protect, defend and indemnify Franchisee in connection with the Claim unless it arises out of or relates to Franchisee’s use of the Proprietary Properties in violation of this Agreement, the Manual, the Initial Training Program or otherwise.

7.8 **Notification of Unauthorized Use.** If Franchisee learns of any unauthorized use of the Proprietary Properties, Franchisee must immediately notify Franchisor of the facts relating to such alleged infringing use. Franchisor will, in its discretion, determine whether or not to take any action with respect to such information. Franchisee may not take any action with respect to any unauthorized use of the Proprietary Properties without the prior express written consent of Franchisor. Franchisor will exercise its discretion based upon, among other things, a cost/benefit analysis of the specific situation as well as the status of any cost sharing agreements that exist or may be arranged with franchisees to support the subject litigation. Franchisor has absolutely no obligation to take any action with respect to any unauthorized use of the Proprietary Properties when such action does not, at Franchisor’s sole discretion, satisfy Franchisor’s cost/benefit requirements. Franchisee acknowledges and agrees that representation of Franchisee (or any other franchisee, including its principals) in any Claim by Franchisor’s legal counsel is not substantially related to any issue that may arise between Franchisee and Franchisor under this Agreement, and that any conflict of interest, actual or implied, as a result of the representation of Franchisee in any such by Franchisor’s designated legal counsel is hereby waived. Franchisee expressly agrees that it will take no action whatsoever to attempt to create any such conflict of interest, nor shall Franchisee seek the disqualification of Franchisor’s legal counsel as a consequence of the representation of Franchisee in any such Claim. Violation of this provision governing the status of Franchisor’s designated legal counsel shall constitute a default under Section 16.2.

7.9 **No Ownership; Modification of Proprietary Properties.** Franchisee understands and agrees that the limited license to use the Proprietary Properties granted by this Agreement applies only to such properties as are designated by Franchisor, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that it is bound not to represent in any manner that it has acquired any ownership or equitable rights in any of the Proprietary Properties by virtue of the limited license granted under this Agreement, or by virtue of Franchisee’s use or creation of any of the Proprietary Properties, or upon any other basis.

7.9.1 If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any aspect of the Proprietary Properties and/or to adopt or use one or more additional or substitute items, then Franchisee shall be obligated to comply with any such instruction by Franchisor. The sole obligation of Franchisor in such event shall be to reimburse Franchisee for its documented, verified and reasonable expenses of compliance, such as changing signs, stationery, uniforms, advertising, etc. Franchisee waives any other claim arising from or relating to any change, modification or substitution to the Proprietary Properties. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any such addition, modification, substitution or discontinuation except as provided in this Subsection. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses.

7.9.2 Franchisor represents and warrants that it owns the Proprietary Marks free and clear from any liens or encumbrances and subject solely to licenses granted to pre-existing licensees and/or franchisees, and to the best of Franchisor's knowledge the license conveyed by this Agreement does not infringe any valid or enforceable trademark rights owned by any other party. Franchisor hereby indemnifies Franchisee from any claims, costs or fees associated with any violation of this provision, subject to the requirement that Franchisor be immediately notified of all facts and circumstances that may give rise to liability under this Subsection, and be permitted to control the defense of the action.

7.9.3 Neither Franchisor nor Franchisee shall take any steps or actions that would in any manner impair, dilute or devalue the Proprietary Marks, and such action shall constitute a material breach of this Agreement. For the purposes of this Subsection, dilution shall be prima facie demonstrated by a use of the Proprietary Marks in connection with any other word, phrase or logo confusingly similar with, or otherwise not authorized or licensed under this Agreement.

7.10 **Change or Modification of Proprietary Marks.** If it becomes advisable at any time, in Franchisor's discretion, to modify or discontinue use of any Trademark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. The sole obligation of Franchisor in such event shall be to reimburse Franchisee for its costs to modify its signs and stationery. Franchisee waives any other claim arising from or relating to any Trademark change, modification or substitution. Franchisor will not be responsible to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Trademark addition, modification, substitution or discontinuation, except as provided herein. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

8. **PAYMENTS TO FRANCHISOR**

8.1 **Initial Franchise Fee.** Franchisee shall pay to Franchisor an Initial Franchise Fee in a lump sum upon execution of this Agreement. The amount of the Initial Franchise Fee is listed in **Exhibit A** to this Agreement.

The Initial Franchise Fee is not refundable in whole or in part and is deemed fully earned by Franchisor upon execution of this Agreement. If Franchisor, in its sole and absolute discretion, finances any portion of the Initial Franchise Fee, Franchisee shall execute a Promissory Note for the amount financed in substantially the form of the Promissory Note attached to this Agreement as **Exhibit G** and each shareholder, officer, director, general partner, manager and member of Franchisee, as the case may be, shall jointly and severally guarantee Franchisee's payment of the Promissory Note by executing a Guaranty in the form attached to this Agreement as **Exhibit G**. Franchisor shall also sign a Security Agreement, substantially in the form attached to this Agreement as **Exhibit H** granting Franchisor a security interest in the assets of the Franchised Business to secure Franchisee's obligations under the Promissory Note in favor of Franchisor.

8.2 **Initial Training Fee.** At the time Franchisee registers for the Initial Training Program, Franchisee shall pay Franchisor the Initial Training Fee for all of the expenses its supervisory or managerial personnel incur while attending training, including, but not limited to, travel, lodging, meals and applicable wages. The Initial Franchise Fee is not refundable in whole or in part and is deemed fully earned by Franchisor upon payment by Franchisee. In the event of acquiring multiple franchises under a Multiple Franchise Ownership, there would only be one (1) training fee required.

8.3 **Business Launch Fee.** At the time Franchisee registers for the Initial Training Program, Franchisee shall pay Franchisor the Business Launch Fee for Franchisor's guidance and assistance in the planning and launching the Franchised Business. The Business Launch Fee is not refundable in whole or in part and is deemed fully earned by Franchisor upon payment by Franchisee. In the event of acquiring multiple franchises under a Multiple Franchise Ownership, there would only be one (1) business launch fee required.

8.4 **Royalty Fee.** Franchisee shall pay Franchisor a Royalty Fee ("**Royalty Fee**") of ten percent (10%) of Gross Revenue for Restoration Services. For services other than Restoration Services, including, without limitation, construction, repair, roofing, remodeling or reconstruction services ("**Non-Restoration Services**"), Franchisee shall pay Franchisor a Royalty Fee of three percent (3%) of Gross Revenue for the Non-Restoration Services. Royalty Fees are payable on the 15th day of each month. If the 15th day of any month is not a business day, Royalty Fees must be paid on the next business day immediately following the 15th day of that month. To insure that Franchisor receives the full Royalty Fee to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, in a lump sum or in the same manner as Royalty Fees are paid to Franchisor, the amount of all taxes paid by Franchisor to any governmental authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the governmental authority's domain during each of Franchisor's fiscal years throughout the entire term of this Agreement.

8.5 **Definition of Gross Revenue.** "**Gross Revenue**" means all fees received by Franchisee (including actual deposits in Franchisee's bank accounts as well as undeposited cash receipts) from, through, by or on account of the operation of its Franchised Business, whether received in cash, in services or in kind, less: (i) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers and actually paid by Franchisee to governmental authorities; and (ii) the amount of any documented refunds, credits and allowances given in good faith to customers by Franchisee. Franchisee must report all Gross Revenue for each month, as defined in this Section 8.5, without any deductions whatsoever, even if Franchisee has incurred "**Allowable Subcontractor Expenses**" (as defined in Section 8.7) in any month. Jason – please make sure this tracks FDD

8.6 **Monthly Gross Revenue Reports.** Franchisee must use QuickBooks for bookkeeping and accounting purposes. Franchisee shall, at its expense, provide Franchisor on the 10th day of each month each year of the term of this Agreement, a Quickbooks report accurately reporting all revenue and expense activity of Franchisee during the preceding calendar month together with Franchisee's bank statement at the close of the preceding calendar month and for all non-restoration work Franchisee must provide supporting documentation, including without limitation, detailed Xactimate estimates and service agreements (collectively, the "**Monthly Gross Revenue Report**"). Franchisee further agrees to use and timely submit the Reporting Tool furnished by Franchisor for all monthly reporting of sales and collections. Each Monthly Gross Revenue Report shall be signed by Franchisee attesting that it is true and correct. Franchisee also shall provide to Franchisor, for review or auditing, such other forms, sales reports, cash register receipts, records, information and data as Franchisor may reasonably designate, on the forms and in the manner as are reasonably designated by Franchisor. Each Monthly Gross Revenue Report shall be transmitted by Franchisee to Franchisor in the manner specified by Franchisor (*i.e.*, by overnight courier, facsimile or via e-mail). If Franchisee does not provide Franchisor with its Monthly Gross Revenue Report on or before 10th day of a month, Franchisee shall pay Franchisor an administrative services fee of \$50 for each day the Monthly Gross Revenue Report is late to reimburse Franchisor for its administrative services required to account for late Monthly Gross Revenue Reports. If Franchisee fails to file any Monthly Gross Revenue Report required under this Section 8.6 for any month, such failure shall constitute a default under this Franchise Agreement. Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the

precise amount of the expenses and damages Franchisor will incur if Franchisee does not provide Franchisor with a Monthly Gross Revenue Report when due and agree that the administrative service charges described in this Section 8.6 are a reasonable, good faith estimate of such expenses and damages.

8.7 Allowable Subcontractor Expenses and Reports. Franchisee may deduct the amount of expenses incurred by Franchisee for certain outside services performed by independent third party contractors Franchisee retains to assist Franchisee in providing Restoration Services that Franchisee does not bill to Franchisee's customers ("**Allowable Subcontractor Expenses**") from Gross Revenue in the manner provided in this Section 8.7. Commissions, referral fees and/or incentives paid to referral sources (whether employed by Franchisee or not), amounts paid to TPAs and National Accounts as commission or fees, taxes, unless collected directly from the customer and remitted by you to the taxing authorities and credit card fees may NOT be deducted.

8.7.1 "Allowable Subcontractor Expenses" means amounts actually paid by Franchisee to unaffiliated electricians, plumbers, and certified mold testing vendors and the like and amounts actually paid by Franchisee for commercial desiccants and the rental of heavy and specialty equipment, such as commercial generators, lifts, air conditioners, and the fuel to operate the same. "**Allowable Subcontractor Expenses**" do not include payments for services that Franchisee must normally perform itself as Restoration Services. In order to qualify as a Subcontractor Expense, the subcontractor to whom amounts are paid cannot be owned by or affiliated in any way with Franchisee or any person that either owns and interest in Franchisee or is related in any way to the owner of Franchisee. Franchisee will provide to Franchisor, upon request, proof of ownership of all subcontractors in order to determine if any expense is a deductible Subcontractor Expense. If there is any controversy as to whether or not a particular expense qualifies as an allowable Subcontractor Expense, Franchisor's decision will be controlling.

8.7.2 Franchisee shall provide Franchisor with supporting documentation for all Allowable Subcontractor Expenses incurred by Franchisee on the 10th day of each month in the form of invoices from all subcontractors and copies of the Xactimates for which the Allowable Subcontractor Expenses are claimed. If Franchisee provides Franchisor with supporting documentation to verify the Allowable Subcontractor Expenses in a form satisfactory to Franchisor, as determined by Franchisor in Franchisor's sole and absolute discretion, the amount of the Allowable Subcontractor Expenses shall be credited against the Gross Revenue reported by Franchisee for the previous month and Franchisor shall calculate the Royalty Fee payable by Franchisee for the previous month for Restoration Services by deducting the amount of the Allowable Subcontractor Expenses from Gross Revenue for that month.

8.8 Obligation to Pay Fees. Except as otherwise specified herein, Franchisee's obligations to pay the Royalty Fee, and fees associated with use of the required software, will accrue on the day that Franchisee commences operation of the Franchised Business. "**Commencement of the Business**" is defined as the first day on which the Franchised Business receives revenues, offers services, or conducts any of the activities contemplated by this Agreement. Failure to pay this amount will result in a late fee of \$50 per day.

8.9 Manner of Payment and Computation of Payments. Franchisee shall pay Franchisor all amounts due and owing under this Agreement from Franchisee's bank account by electronic funds transfer ("EFT") or other automatic payment mechanism that Franchisor may designate. Promptly upon Franchisor's request, Franchisee shall execute and deliver to Franchisor the EFT payment form attached to this Agreement as Exhibit E and all pre-authorized check forms and other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to draw Franchisee's Royalty Fees and other sums payable under the terms of this Agreement. Franchisee shall maintain a single bank account for all EFT payments and shall maintain such minimum balance in this

account in the amount that Franchisor may reasonably specify from time to time. Franchisee shall not alter or close this account except with Franchisor's prior written approval. Any failure by Franchisee to implement or maintain Franchisor's access to its bank account in strict accordance with Franchisor's instructions shall constitute a material default of this Agreement.

8.9.1 All amounts due and owing under this Agreement will be computed on the last day of the calendar month. The computation of the amounts will be reported on forms prescribed by the Franchisor, and shall be certified by the Franchisee in the manner specified by the Franchisor. The Franchisee will supply to the Franchisor such supporting or supplementary materials as the Franchisor may reasonably require to verify the accuracy of the remittances.

8.9.2 In the event Franchisor is unable to withdraw any amounts due and owing under this Agreement from Franchisee's bank account by EFT, a late fee of \$50.00 per day shall be assessed.

8.10 **Late Fee.** In the event Franchisee fails to pay any of the required fees, royalties or contributions, or any other amount due to Franchisor in the time as specified in this Agreement, or Franchisee fails to provide both the Gross Revenue Report and bank statement to Franchisor by the due date, Franchisee will pay (in addition to other rights, remedies and remunerations) a late fee of \$50 per day for each day said payment, Gross Revenue report and/or bank statement is late. It is agreed that such payments are but a reasonable estimate of Franchisor's damages, and not a penalty or forfeiture. All late charges owed by Franchisee shall be paid to Franchisor. Any default in the payment thereof is a default which entitles Franchisor to terminate this Agreement for failure to pay amounts due Franchisor, as provided by Article 16, and/or to institute proceedings to collect the delinquent amounts with applicable late charges.

8.11 **Payment of Taxes and Assessments.** Franchisee agrees to pay promptly, when due, all taxes and assessments that may be assessed or otherwise due against Franchisee's income, premises, equipment and/or supplies used in connection with Franchisee's business, to discharge all liens and encumbrances of every kind and character created or placed upon or against any of said property and to pay all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of its business. Franchisor shall also maintain the right of set off, to permit deductions of any such amounts from payments that may be due Franchisee hereunder. Any such amounts advanced by Franchisor shall be due and payable immediately on Franchisee's receipt of written demand from Franchisor, and if not paid within five (5) days shall be subject to late payment charges as set forth in Section 8.10 of this Agreement.

8.12 **Default in Timely Payment.** Any default by Franchisee in the timely payment of any indebtedness of Franchisee owing to Franchisor, or to any Affiliate of Franchisor, or the default by Franchisee in the payment of any indebtedness of Franchisee with respect to which Franchisor or any of the Affiliates of Franchisor is a guarantor, co-signer, endorser or obligor, shall constitute a default under this Franchise Agreement, rendering the same subject to termination in accordance with the provisions of Article 16.

8.13 **Waiver of Claims; Application of Payments.** Franchisee waives any and all existing and future claims and set offs against any amounts due Franchisor under this Agreement, which amounts shall be paid when due regardless of any other claims which Franchisee may have against Franchisor. However, Franchisor shall be entitled to apply or cause to be applied against amounts due to it any amounts which may from time to time be held by Franchisor on Franchisee's behalf or be owed to Franchisee by Franchisor. Notwithstanding any designation by Franchisee, Franchisor shall use sound business judgment and be reasonable in applying any payments received from Franchisee, whether designated as payable to Franchisor, the Advertising Fund or otherwise, to any past due or other indebtedness of Franchisee for fees, advertising contributions, purchases, late fees or otherwise. Franchisor may set off

from any amounts that may be owed to Franchisee, any amount that Franchisee owes to Franchisor or with respect to any payment overdue for over thirty (30) days. In particular, Franchisor may retain any amounts it has received for Franchisee's account (whether rebates or other funds and whether paid by or due from suppliers or otherwise) as a credit and payment against any amounts that Franchisee owes or will owe to Franchisor or with respect to any advertising contribution, should Franchisee be then overdue in any payments due to Franchisor for at least thirty (30) days. Franchisor may do so without notice at any time. However, Franchisee does not have the right to offset or withhold payments owed to Franchisor for amounts purportedly due Franchisee from Franchisor. Franchisor may condition Franchisee's participation in any program (including, but not limited to, any program involving payments from third party suppliers or otherwise) as Franchisor determines in its reasonable discretion, including, but not limited to, Franchisee being a "911 Restoration" franchisee in good standing and not in default under this or any other agreement with Franchisor. Franchisee agrees that it will not withhold any amounts otherwise due Franchisor as a result of any dispute of any nature, but will pay such amounts to Franchisor and only thereafter seek reimbursement.

8.14 **Security Interest.** Franchisee hereby grants Franchisor a security interest in and to all leasehold improvements, fixtures, furnishings and equipment, inventory, supplies and vehicles located at or used in connection with the 911 Restoration Business, now or hereafter acquired by Franchisee, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of the assets, all rights of Franchisee to use the Proprietary Marks, trade names, trade styles, patents, copyrights and their registrations, Trade Secret information and other proprietary rights, and all rights granted, owned or licensed to Franchisee under this Agreement for the use of the Proprietary Marks, trade names, trade styles, patents, copyrights, Trade Secret information and other proprietary rights, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, from Franchisee to Franchisor. Franchisee hereby authorizes Franchisor to, prepare and file all Uniform Commercial Code (and comparable) financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of this security interest under the Uniform Commercial Code wherever applicable. If Franchisee is in Good Standing under this Agreement and all other agreements between Franchisor or its Affiliates, and Franchisee, Franchisor shall, upon request of Franchisee, execute a written subordination of its security interest to lenders providing equipment or other financing for the 911 Restoration Business. If Franchisee is in Default of any of the terms and conditions of this Agreement, Franchisor may, in its discretion, exercise its rights with respect to its security interest. In that event, Franchisee shall remain liable for any deficiency remaining due to Franchisor and shall be entitled to recover any surplus which results after the application of the proceeds derived from the enforcement of the security interest.

9. **OBLIGATIONS OF FRANCHISEE**

9.1 Compliance with System. Each component of the System is vital to Franchisor, to the network of other franchisees of the System and to the operation of the Franchised Business, as well as to the members of the purchasing public and clients who have come to rely upon Franchisor and its network for safety and security. Compliance with each such component is of the essence to this Agreement. Hence, Franchisee undertakes to conduct the Franchised Business at all times in full compliance with the System and each of its components, including any services as may be offered by Franchisor to the system from time to time, in Franchisee's Territory, pursuant to Section 18.1. Franchisee shall operate the Franchised Business in an efficient and professional manner in accordance with the highest ethical and moral standards. Franchisee shall, as well, comply with all recommendations and standards of quality and service prescribed from time to time by Franchisor in the Manual or otherwise. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Franchised Business, including over Franchisee's employees, and that

under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the System with which Franchisee must comply under this Agreement, the Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Franchised business consistent with the policies of Franchisor. Franchisee shall comply with Franchisor's standards and shall operate the Franchised Business in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manual or otherwise.

9.1.2 Franchisee who does not already lease or own a location from which to conduct business, must own, lease, or rent premises within its designated Territory. Such locations are subject to Franchisor's prior written approval ("**Approved Location**") which will not be unreasonably withheld.

9.1.3 Within ten (10) calendar days after the signing of any approved Lease, or separate agreement, Franchisee will provide Franchisor with a copy of same accompanied by a signed statement from Franchisee that said Lease is the same Lease under which Franchisee will operate the Franchise.

9.1.4 Within thirty (30) days after the signing of this Agreement, Franchisee must provide Franchisor with the primary residence address for each owner of Franchisee.

9.1.5 During the term of this Agreement, Franchisee must provide at least fourteen (14) days' notice to Franchisor any of its owners will be away from the Franchised Business for five (5) or more consecutive days. Franchisee's failure to provide notice within the time prescribed by this Section 9.1.5 constitutes a curable default under Article 16. However, Franchisee acknowledges and agrees that any unexplained absence for five (5) or more consecutive days may be deemed an abandonment under Section 16.2.1.

9.2 **Site Selection; Development and Opening of the Franchised Business.** After execution of this Agreement and payment of the Initial Franchise Fee, Franchisee must select a site within Franchisee's Territory, subject to Franchisor's approval, equip the Franchised Business, complete its training (as required by Section 5.4 of this Agreement).

9.2.1 If Franchisee is in possession of a suitable site for the Franchised Business upon execution of this Agreement, per Franchisor's prior approval, then the address of the approved site shall be included in Exhibit A hereto and Franchisee's Territory shall be designated on such Exhibit.

9.2.2 Franchisee agrees to have Franchisee's Franchised Business open and operating within one hundred and twenty (120) days from the date this Agreement is signed by Franchisor and Franchisee.

9.2.3 Franchisee is excused from the timely performance of its obligations under this Section if the cause of delay is due to force majeure.

9.3 **Operation in Compliance with Applicable Laws.** Franchisee will operate the Franchised Business in strict compliance with all applicable laws. Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-

Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee or its owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided herein.

9.4 **Supervision.** Franchisee shall personally and directly operate and exercise adequate and substantial supervision over the operation of the Franchised Business unless otherwise permitted in writing by Franchisor. Approval will not be unreasonably withheld. If Franchisee is a corporation, limited liability company or partnership, any equity holder owning at least fifty percent (50%) of the interests of the entity, or the chief executive thereof, shall fulfill the requirement set forth in this Section 9.4.

9.5 **Service Vehicles.** Franchisee shall be obligated to purchase or lease the appropriate vehicles required by Franchisor to be used in the operation of the Franchised Business, the specifications for which are set forth in the Manual, including that the vehicle shall be no more than four (4) years old (“**Vehicle**”), unless approved by Franchisor in writing. Franchisee shall at all times keep the Vehicle clean and neat, free of rust, and properly titled and insured.

9.6 **Computer System.** Franchisee shall bear the cost and expense to acquire all computer hardware and software that Franchisor requires. Franchisor may require that Franchisee purchase specific brands of hardware and software and that such hardware and software be purchased from an approved supplier. Franchisor reserves the right to modify its computer requirements at any time during the term of this Agreement and as frequently as Franchisor deems necessary. Franchisee shall update and/or upgrade Franchisee’s computer system, including hardware, software and peripheral equipment, immediately upon notice by Franchisor to do so to meet Franchisor’s then-current specifications. Neither Franchisor nor any Affiliate will provide Franchisee with any updates, upgrades or maintenance for Franchisee’s computer system. Franchisee agrees to maintain a high speed internet connection for the computer system at all times throughout the term of this Agreement. Franchisee must utilize only Franchisor approved emails for all employees, each of which needs to be purchased at Franchisor’s then current fee and renewed annually and Franchisor’s then current fee.

9.6.1 Franchisee must purchase a new or used computer system for the Franchised Business. Franchisee’s computer system must effectively operate all required software; have high-speed internet; and be capable of preparing estimates for repair and remediation work, managing insurance claims, creating financial reports, tracking sales, conducting client maintenance tasks, keeping accounting and other records, purchasing and tracking inventory, and accessing the internet. Franchisee may purchase the computer system from a vendor of Franchisee’s choice. Franchisee must purchase and install, at Franchisee’s expense, QuickBooks and Xactimate software for the Franchised Business, and any other programs that Franchisor requires of all 911 Restoration franchisees.

9.6.2 Franchisor will provide Franchisee with access to Franchisor’s customer relations management (“**CRM**”) software and internal programs (extranet and e-stores). Franchisee must install and operate the “Franchisor’s CRM software and internal programs throughout the term of this Agreement. Franchisee must pay Franchisor’s then-current setup and monthly fee to access to Franchisor’s CRM software, e-mail system, and internal programs, and enhancements to Franchisor’s technology. Franchisor may discontinue or suspend Franchisee’s access to Franchisor’s CRM software and internal programs for any reason whatsoever, including, without limitation during such period as Franchisee is in default under this Agreement, without any liability to Franchisee relating thereto.

Franchisee must discontinue using the Franchisor's CRM software and internal programs and uninstall any associated software from its computer system immediately upon notice from Franchisor to do so.

9.6.3 Franchisee shall provide Franchisor with independent access to Franchisee's computer system and the information and data Franchisee collects at all times at Franchisee's expense. The information and data Franchisor may obtain from Franchisee's computer system includes, without limitation, sales/revenue, customer, service, inventory and other data as Franchisor deems appropriate. The information and data Franchisor obtains shall become the property of Franchisor.

9.7 **Purchases from Approved Suppliers.** Any products, logoed apparel, marketing and promotional materials and give-away and any other item or good containing the trademark for the operation of the 911 Restoration Franchised Business must be purchased only either from Franchisor, its designees or from suppliers approved in writing by Franchisor. The procedures for Franchisee's obtaining approval of alternate suppliers are stated in the Manual.

9.8 **Approved Products and Services.** Franchisee shall offer and sell only those products and services, which are part of the System or have received the prior written approval of Franchisor, which approval shall not be unreasonably withheld. The Franchised Business must offer three (3) core restoration services: (i) water damage, (ii) mold damage, and (iii) fire damage.

9.9 **Employees and Independent Contractors.** Franchisee shall maintain a competent, conscientious, and trained staff and shall take all steps necessary to ensure that its employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Manual or otherwise. Prior to hiring an employee, Franchisee must conduct a background check on any prospective employee and provide said report to Franchisor for review. Franchisee may not employ any prospect with a felony conviction. If Franchisee is in violation of this Article 9.9 then Franchisor has the right to prohibit Franchisee from participating in any National Account program. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Franchised Business does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the Franchised Business, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall immediately defend, reimburse and hold Franchisor harmless from any direct or indirect losses, costs and expenses, including attorney's fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions of the Franchised Business, including, without

limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall cause all employees, while working for the Franchised Business, to wear uniforms of the color, design and other specifications that Franchisor may designate from time to time and to present a neat and clean appearance. If Franchisor removes a type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have thirty (30) days from receipt of written notice of removal to discontinue use of its existing inventory of uniforms and obtain and use the approved type of uniform.

9.10 **Training Programs.** Franchisee will offer such continuing training programs to its personnel as are specified in the Manual.

9.11 **Advertising.** Franchisee will comply with all of the obligations regarding advertising set forth in Article 10.

9.12 **Inspections.** To protect the System, the Proprietary Marks, the Copyrights, the Proprietary Properties, Know How and the goodwill associated with the same, Franchisor or any of its authorized agents or representatives may, upon reasonable notice, inspect the Franchised Business during normal business hours, to examine the Franchised Business, to confer with Franchisee's supervisory or managerial personnel, inspect or check operations, and determine whether it is in compliance with this Agreement and with the System. Unannounced spot checks may be conducted from time to time, although discretion will be used so as not to interfere or disrupt the normal course of business. All records shall be kept confidential. Franchisee understands and consents to Franchisor's ability to access all files, data, accounts, reports and the like resulting from or relating to Franchisee's transmission of any required reports to Franchisor via computer.

9.13 **Reports.** Franchisee shall submit to Franchisor such reports regarding the Franchised Business as Franchisor prescribes in the Manual, in addition to those required under Section 8.6. All records will remain confidential, except as required by the franchise laws.

9.14 **Insurance.** To afford Franchisee and Franchisor protection against insurable risks, Franchisor shall prescribe in the Manual minimum standards and limits for insurance coverage which must be purchased by Franchisee. Franchisee's failure to purchase such insurance coverage before commencement of business or to maintain such coverage throughout any Term is a ground for termination of this Agreement.

9.14.1 All insurance purchased by Franchisee must name Franchisor and its officers, directors and shareholders as additional named insureds and must provide that Franchisor be given at least thirty (30) days' prior written notice of any termination, amendment, cancellation, or modification.

9.14.2 Franchisee must provide Franchisor with Certificates of Insurance for all required insurance at least ten (10) days before the Commencement of the Business, and thereafter within ten (10) days after such insurance is renewed.

9.14.3 If Franchisee fails or refuses to purchase or maintain the prescribed insurance coverage, or to comply with any other requirement set forth in this Section 9.14, Franchisor shall have the right, without waiver of any other remedies, to secure such insurance on Franchisee's behalf, at Franchisee's expense, through agents and insurance companies of Franchisor's choosing, and to take all other action necessary to protect its interests under this Agreement.

9.14.4 Franchisee must obtain and maintain, at Franchisee's expense, insurance coverage. Franchisor's System may regulate the types, amounts, terms and conditions of insurance coverage.

required for Franchisee's franchise and standards for underwriters of policies providing required insurance coverage; Franchisor's protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to Franchisor; Franchisor's right to obtain insurance coverage at Franchisee's expense if Franchisee fails to obtain required coverage; Franchisor's right to defend claims; and similar matters relating to insured and uninsured claims. All of Franchisee's policies must name us as an additional insured and must include third party contents coverage. Franchisor's current insurance requirements, which are subject to change are listed in Exhibit K to this Agreement. Franchisor must be named as a certificate holder for all policies obtained by Franchisee.

9.15 **Good Faith.** Each of the parties hereto will act in good faith and use its best efforts to comply with its obligations under this Agreement, and will cooperate with the other in accomplishing the purposes of this Agreement. Further, Franchisee shall not directly or indirectly engage in any activities which would be detrimental to or interfere with the operation or reputation of the Franchised Business, Franchisor, the System, or the operations of any other franchisee.

9.16 **Guaranty.** Upon execution of this Agreement, the majority owners of Franchisee (if a corporate entity), the General or Managing Partner (if a limited partnership) or the individual partners (if a standard partnership) shall each execute the Guaranty in the form annexed hereto as **Exhibit D** of all obligations, including payment of money under this Agreement. Franchisor agrees that unless Franchisee is guilty of having misappropriated trust money or otherwise unjustifiably or willfully breached any material term of this Agreement, it will not seek enforcement of its right to money damages against the primary residence of any guarantor under this Subsection.

9.17 **Minimum Sales Goals.** During the second and each subsequent year of the term of this Agreement, Franchisee must achieve a minimum Gross Revenue ("**Minimum Revenue**"). During the second year of the term of this Agreement (meaning beginning the 13th month of the term of this Agreement), Franchisee must achieve a Minimum Revenue of \$180,000 per each 300,000 in population in Franchisee's Territory. For the third, and for each subsequent year of the term of this Agreement, the Minimum Revenue shall increase by \$36,000 per year per 300,000 in population in the Territory. In the event Franchisee fails to meet the Minimum Revenue during any year during the term of this Agreement, Franchisor shall have the right to reduce the size of Franchisee's Territory, begin offering and selling products and services in the Territory, permit others to offer and sell Products and Services in the Territory, or terminate this Agreement, in Franchisor's discretion.

9.18 **Maintenance of Franchised Business.** Franchisee must, at all times during the Initial Term of this Agreement, maintain the Approved Location in a neat and clean condition, and Franchisee shall perform all maintenance required for the Approved Location, any service vehicle Franchisee uses in the operation of the Franchised Business, and any equipment Franchisee uses in the operation of the Franchised Business. If Franchisor provided Franchisee with notice, pursuant to an inspection or visit, that these items have not been maintained to Franchisor's standards, and if Franchisee does not undertake to correct these deficiencies within the time period required by us, Franchisor shall have the right to correct such deficiencies on Franchisee's behalf, and Franchisee agrees to reimburse Franchisor's costs in so acting.

9.19 **Customer Warranties.** Franchisee must comply with Franchisor's stated customer warranty policies, as included in the Manual or otherwise in writing.

9.20 **Certifications.** During the term of Franchisee's Franchise Agreement, Franchisee must comply with the IICRC guidelines and specifications and Franchisee must be certified by them at Franchisee's

own expense. More about the IICRC can be found at www.iicrc.org. Franchisee must have at least one employee on Franchisee's staff that has a current IICRC certification. Franchisee must comply with the Confidential Operations Manual regarding service jobs that Franchisor requires Franchisee to have IICRC certified staff members present. Franchisee will provide us with evidence of such current IICRC certification within fifteen (15) days of Franchisee's receipt of Franchisor's request. Franchisee must maintain additional certifications or licensing as require by local, state and federal law.

9.21 **Credit Cards.** Franchisee shall honor all credit, charge, courtesy and cash cards approved by Franchisor in writing. To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with the operation of the 911 Restoration Business, Franchisee shall maintain the security of cardholder data and adhere to the Then-Current Payment Card Industry Data Security Standards ("PCI DSS"), currently found at www.pcisecuritystandards.org, for the protection of cardholder data throughout the term of this Agreement. Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards. All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor. Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI DSS requirements by Franchisee and all identified subcontractors.

9.22 **Intranet.** If Franchisor establishes an intranet (or extranet) ("**Intranet**"), Franchisee shall have the privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Franchisee acknowledges that, as administrator of the Intranet, Franchisor may access and view any communication posted on the Intranet. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert. Upon receipt of notice from Franchisor that Franchisor has established an Intranet, Franchisee shall establish and continually maintain an electronic connection with the Intranet as specified in the Manuals that allows Franchisor to send messages to and receive messages from Franchisee. If Franchisee shall Default under this Agreement or any other agreement with Franchisor, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee.

9.23 **Telephone Number.** Before Commencement of the Business Operation, Franchisee must purchase a telephone number and directory listing for the Franchised Business. The parties acknowledge and agree that the telephone number shall be the exclusive property of Franchisor. Franchisor shall have the option, exercisable by written notice within thirty (30) days after the termination of this Agreement, to take an assignment of all telephone numbers (and associated listings) for the Franchised Business. Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of its right to use the telephone numbers and the directory listings associated with the Franchised Business, and shall authorize their transfer to Franchisor. Franchisee shall not be not entitled to any compensation from Franchisor if Franchisor exercises this option.

10. **ADVERTISING**

To protect the System, the Proprietary Marks, the Copyrights, the Proprietary Properties, Know How and the goodwill associated with the same:

10.1 **Advertising to be Approved by Franchisor.** Franchisee shall use for Franchisee's advertising and promotional activities only those materials, concepts and programs which have been furnished by us or approved by us within the immediately preceding twelve (12) month period. If Franchisee wishes

to use advertising materials that have been prepared by or for Franchisee and Franchisor has either not approved these materials or not approved them within the preceding twelve (12) month period, Franchisee must submit the proposed advertising materials to us. Franchisor will have fifteen (15) days after receipt of the materials to notify Franchisee whether they are approved. Unless Franchisor provides Franchisor's specific approval of Franchisee's proposed materials, they are deemed not approved. Any materials Franchisee submits to us for Franchisor's review will become Franchisor's property, and there will be no restriction on Franchisor's right to use or distribute these advertising materials.

10.2 **Advertising Fund.** Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System, we reserve the right to establish one or more national advertising funds to promote the Marks and 911 Restoration businesses (collectively, the "**Advertising Fund**") for the advertising, marketing, and public relations program and materials we deem appropriate that will be used nationally, regionally, or locally in our franchise owners' markets. We may establish the Advertising Fund and require that Franchisee participate in the Advertising Fund upon thirty (30) days written notice. If such Advertising Fund is established, you must contribute to the Advertising Fund an amount equal to one percent (1%) of your Gross Revenue during the preceding month. Advertising Fund contributions will be payable on the 15th day of each month. If the 15th day of any month is not a business day, Advertising Fund contributions must be paid on the next business day immediately following the 15th day of that month. We reserve the right, upon five (5) business days' notice to you, to require you to pay the Advertising Fund contribution at any other increments we choose, which may include weekly.

10.2.1 Franchisor shall direct all national and regional advertising programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof. Franchisee understands and acknowledges that the Advertising Fund is intended to maximize general public recognition and acceptance of the System and the Trademarks for the benefit of all 911 Restoration Businesses operating under the System, and that Franchisor undertakes no obligation in administering the Advertising Fund to ensure that expenditures from the Advertising Fund are proportionate or equivalent to Franchisee's contributions made for its Franchised Business, or that any particular 911 Restoration Business or franchisee benefits directly or pro rata from the placement of any such advertising;

10.2.2 Franchisee agrees that the Advertising Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and/or regional advertising materials, programs and public relations activities (including, without limitation, the cost of preparing and conducting television, radio, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies to assist therewith, and providing promotional brochures, coupons and other marketing materials to all franchisees of the System). Monies from the Advertising Fund may be used for the development and maintenance of Franchisor's Website. The Advertising Fund shall be accounted for separately from the other funds of Franchisor, and shall not be used to defray any of Franchisor's general operating expenses, except Franchisor has the right to reimburse itself out of the Advertising Fund for the total costs (including indirect costs) of developing, producing and distributing any advertising materials and collecting the Advertising Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Advertising Fee) and in addition, for the services provided, Franchisor will receive out of the Advertising Fund an administrative fee equal to fifteen percent (15%) of the amounts collected to cover Franchisor's services, salaries, supplies and overhead expenses;

10.2.3 An unaudited statement of the operations of the Advertising Fund shall be prepared annually by Franchisor's accountants and shall be made available to Franchisee on written request. The cost of the statement shall be paid by the Advertising Fund. Except as expressly provided in this Section

10.2. Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Advertising Fund;

10.2.4 If an Advertising Fund is established, each 911 Restoration Business owned by Franchisor or its Affiliates shall make contributions to the Advertising Fund as is required to be contributed by franchisees generally within the System.

10.3 **Local Advertising.** Franchisee shall spend at least \$500 per month on local business development and advertising. Franchisor reserves the right, upon thirty (30) days written notice to Franchisee, to require that Franchisee spend a minimum amount each month on local business development and advertising. Franchisee acknowledges that the proper conduct of all promotion programs is not only necessary to the success of the Franchised Business, but is also likely to affect the goodwill and reputation of Franchisor, the Proprietary Marks, and that of the System. It is therefore agreed as follows:

10.3.1 Franchisee shall engage in local business development and advertising in its Territory as outlined in the Manual. In addition, Franchisee is recommended to hire an approved local marketer to conduct its local advertising after the first six (6) month period that the Franchised Business opens for business. All local advertising utilizing must be purchased from Franchisor and the only programs that may be utilized must have been approved by Franchisor within the past twelve months.

10.3.2 Franchisee will not use any advertising or sales promotion materials of any kind other than those purchased from and distributed by Franchisor, or conduct any print or broadcast advertising, or any promotion, without first obtaining the approval of Franchisor. After confirmation of receipt, Franchisor will approve or disapprove within ten (10) days. If Franchisor does not provide written approval of the materials within this timeframe, the materials will be deemed not approved. All materials submitted to Franchisor for its review will become Franchisor's property.

10.3.3 Franchisee shall list separately or participate in an advertisement in the Yellow Pages or equivalent in Franchisee's local telephone directories, containing such copy as may reasonably be specified by Franchisor. The cost of such listing will be paid by Franchisee, or by Franchisee and other participating franchisees in the case of a joint listing. Franchisor will not specify any unreasonably expensive listing. The advertisement must include Franchisor's active call center number.

10.3.4 Upon Franchisor's request, Franchisee shall provide Franchisor with verification of all expenditures for local advertising within thirty (30) days of such request.

10.4 **Digital Marketing.** Franchisee shall spend at least \$100 per day per territory on digital marketing, which shall be focused on lead development through currently approved sites for local SEO packages, social media and PPC campaigns. Franchisee shall obtain these services from Franchisor's Affiliate or another approved supplier. Neither Franchisor nor Franchisor's Affiliate guarantees any results from digital marketing efforts. Franchisor will provide guidance on specific marketing spending and may allocate the minimum required investment differently from market to market. Upon Franchisor's request, Franchisee shall provide Franchisor with verification of all expenditures for digital marketing within thirty (30) days of such request. On the Effective Date, Franchisor will provide, at no additional cost to Franchisee, digital marketing services on Franchisee's behalf, including but not limited to market evaluations, email marketing campaigns, SEO management, website development, and management of Franchisee's social media, PPC and paid-ad campaigns, and online reputation.

10.5 **Advertising Cooperatives.** In addition to the local advertising expenditures discussed above, if a local advertising cooperative is formed by 911 Restoration franchisees and approved by Franchisor,

then Franchisee has the option to participate or not participate in the Cooperative. If Franchisees opt to participate in the Cooperative, then it will pay the percentage of Gross Revenue to the advertising cooperative in the amount agreed upon by the majority, which amount will be based on Franchisee's location and size of Franchisee's market. Any 911 Restoration Businesses owned by Franchisor or its Affiliates within the same geographical area that encompasses the local advertising cooperative shall participate in such cooperative on the same basis as franchisees in the cooperative.

10.6 **Advisory Council.** Franchisor may, in its sole discretion, form one (1) or more councils to advise or discuss with Franchisor matters pertinent to the System and the marketing of products and services by 911 Restoration Businesses. If Franchisor creates a council, it will be comprised of franchisees and a Franchisor representative. Franchisor will select Franchisee participants based, in part, on the performance of their Franchised Businesses and their length of time in the System. This council, if and when formed, will act in an advisory capacity only. Franchisor reserves the right to terminate any advisory council, in its sole discretion.

11. **REPORTING AND FINANCIAL MANAGEMENT REQUIREMENTS**

11.1 **Records Retention.** Franchisee shall keep true and accurate records, including those which may be specified by Franchisor from time to time, from which all sums payable under this Agreement and the dates of accrual thereof may be readily determined. Franchisee shall keep such records on its business premises at all times, unless Franchisee obtains Franchisor's express written consent. In any event, Franchisee shall at all times inform Franchisor of any change in the location of Franchisee's records. Franchisee shall make these records available to Franchisor at the business premises during normal business hours.

11.2 **Reporting Systems.** Franchisee shall utilize such reporting and financial control systems as Franchisor may reasonably direct.

11.2.1 Franchisee will maintain on forms approved or provided by Franchisor, a monthly sales report and monthly profit and loss statement accurately reflecting the operations and condition of the Franchised Business.

11.2.2 Franchisee shall employ such methods of filing, record-keeping, bookkeeping, accounting and reporting as Franchisor may from time to time reasonably require.

11.2.3 Franchisee shall adopt and strictly adhere to such methods for control and protection of cash receipts (and of records pertaining thereto) as Franchisor may from time to time direct.

11.3 **Monthly Reports.** Franchisee will have prepared and furnished to Franchisor on the 10th day of each month Franchisee's monthly financial statements from QuickBooks, consisting of a balance sheet, statement of earnings or loss, and statement of changes in financial position, including all notes to all such statements and any schedules of partners' or shareholders' capital. Each year these monthly reports must be compiled, reviewed by a certified public accountant ("CPA") admitted to practice accountancy in the state in which the Territory is situated, and must be published on the stationery of, and signed by, the CPA. The annual statements must be furnished to Franchisor no later than ninety (90) days following the close of Franchisee's fiscal year. All accounting must be on a cash basis. Should Franchisee be deemed by Franchisor to have under-reported or improperly reported or paid (as determined under Section 11.4) by two percent (2%) or more on at least two (2) occasions, Franchisor may, at its sole discretion, require that all future statements provided by Franchisee be audited by the CPA. Reports shall be deemed timely made if personally delivered to the offices of Franchisor, electronically

transmitted to and received by Franchisor, or postmarked by the U.S. Postal Service (with proper first-class postage prepaid) on or before the required date.

11.4 **Inspections and Audits.** Franchisor and its authorized representatives shall have the right at all times during the business day to enter Franchisee's Franchised Business or any other location where books and records relative to the Franchised Business are kept, and to inspect, copy and audit such books and records, including Franchisee's state and federal income tax returns and state sales and use tax and personal property tax returns, and Franchisee waives any privileges with regard to any tax returns. Franchisee will cooperate completely and in good faith with the audit, and will provide and explain all records requested by the auditor or necessary to provide information sought by the auditor. All records produced will be maintained by Franchisor in confidence, except for the uses intended under this Agreement.

11.4.1 If an audit or inspection discloses that Franchisee has underpaid any sums due Franchisor under this Agreement, Franchisee will pay the amount underpaid immediately. Any such underpayment amounts shall also be subject to the late payment fees as set forth in Section 8.10, liquidated damages equal to two (2) times the error, and attorneys' fees. If an audit or inspection reveals any overpayment by Franchisee, the amount of the overpayment will be credited against royalty fees and advertising contributions next falling due.

11.4.2 If an audit is required due to Franchisee's failure to provide us with required reports, or if the audit reveals an understatement in any amount owed to us of two percent (2%) or more, then Franchisee shall pay any understated amount together with interest thereon, and Franchisee shall reimburse us for all costs and expenses relating to such audit (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

11.5 **Submission of Financial Statements and Tax Returns.** Upon written request from Franchisor to do so, Franchisee shall, at its expense, provide Franchisor with a copy of Franchisee's financial statements from QuickBooks showing the results of operations of the Franchised Business for each fiscal year during the term of this Agreement. The statements shall include a statement of income and balance sheet, and shall be furnished within ninety (90) days after the end of each fiscal year of Franchisee. Each statement shall be signed by Franchisee attesting that it is true and correct. Franchisee also shall provide to Franchisor, for review or auditing, such other forms, sales reports, cash register receipts, records, information and data as Franchisor may reasonably designate, on the forms and in the manner as are reasonably designated by Franchisor. In addition, Franchisee must provide to Franchisor with its state and federal tax returns to Franchisor each year.

12. **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

12.1 **No Fiduciary Relationship.** It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them (unless otherwise stated), that Franchisee is, and shall at all times be and remain an independent contractor, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever.

12.2 **Notice of Independent Contractor.** During the Initial Term and Renewal Term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise granted by Franchisor. Franchisee will take such affirmative action as

may be necessary to indicate same, including exhibiting a notice of that fact in a conspicuous place within the Approved Location, the content of which Franchisor reserves the right to specify.

12.3 Indemnification by Franchisee. Franchisee shall at all times defend, at its own cost, and indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its corporate parent, the corporate subsidiaries, Affiliates, successors, assigns, and designees of either entity and the respective directors, officers, employees, agents, shareholders, designees, and representatives of each (collectively, the “**Indemnitees**”) from all losses and expenses (as hereinafter defined) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: Franchisee’s infringement or any other violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; Franchisee’s violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive or of any industry standard; libel, slander or any other form of defamation by Franchisee; Franchisee’s violation or breach of any warranty, representation, agreement, or obligation in this Agreement; any acts, errors, or omissions of Franchisee or any of its agents, servants, employees, contractors, partners, proprietors, Affiliates, or representatives at the Approved Location or in any manner in connection with the Franchised Business; the inaccuracy, lack of authenticity, or non-disclosure of any information by Franchisee or any customer or client of Franchisee; any service provided by Franchisee at, from, or related to the operation at the Approved Location; any services provided by any Affiliated or non-Affiliated participating entity; and any action by any customer or client of Franchisee. For the purpose of this Section, the term “**losses and expenses**” is deemed to include all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, attorneys’ fees, experts’ fees, court costs, settlement amounts, judgments, compensation for damages to Franchisor’s reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting, or replacing same, and any and all expenses of recall, refunds, compensation, public notices, and other such amounts incurred in connection with the matters described. Franchisee agrees to give Franchisor notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. The foregoing indemnification shall not apply to losses or expenses arising from Franchisor’s gross negligence or willful acts.

12.3.1 At the expense and risk of Franchisee, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation, provided that Franchisor will seek the advice and counsel of Franchisee and shall keep Franchisee informed with regard to any such proposed or contemplated settlement(s). Such an undertaking by Franchisor shall in no manner or form diminish Franchisee’s obligation to indemnify Franchisor and to hold it harmless.

12.3.2 All losses and expenses incurred under this Section 12.3 shall be chargeable to and paid by Franchisee pursuant to its obligations of indemnity under this Section, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense.

12.3.3 The Indemnitees do not assume any liability whatsoever for acts, errors, or omissions of those with whom Franchisee may contract, regardless of the purpose. Franchisee holds harmless and indemnifies the Indemnitees for all losses and expenses that arise out of any acts, errors, or omissions of these third parties.

12.3.4 Under no circumstances will the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchisee.

Franchisee agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from Franchisee.

12.4 Indemnification by Franchisor. Franchisor shall at all times to defend, at its own cost, and indemnify and hold harmless to the fullest extent permitted by law, Franchisee, its corporate parent, the corporate subsidiaries, Affiliates, successors, assigns, and designees of either entity, and the respective directors, officers, employees, agents, shareholders, designees, and representatives of each from all losses and expenses (as hereinafter defined) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: Franchisor's infringement or any other violation of any patent, trademark, or copyright or other proprietary right owned or controlled by third parties; Franchisor's violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive or of any industry standard; libel, slander, or any other form of defamation by Franchisor; Franchisor's violation or breach of any warranty, representation, agreement, or obligation in this Agreement; any acts, errors, or omissions of Franchisor or any of its agents, servants, employees, contractors, partners, proprietors, Affiliates, or representatives at the Approved Location. For the purpose of this Section, "losses and expenses" are deemed to include all losses, compensatory, exemplary, or punitive damages, fines, charges, costs, expenses, lost profits, attorneys' fees, experts' fees, court costs, settlement amounts, judgments, compensation for damages to Franchisee's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting, or replacing same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described. Franchisor agrees to give Franchisee notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. The foregoing indemnification shall not apply to losses or expenses arising from Franchisee's gross negligence or willful acts.

13. CONFIDENTIAL INFORMATION

13.1 Non-Disclosure of Confidential Information. Franchisee shall not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information or Know How concerning, as well as the methods of operation of the 911 Restoration Business hereunder which may be communicated to Franchisee, or of which Franchisee may become apprised, by virtue of the operation at the Approved Location under this Agreement. Franchisee will divulge such confidential information only to such of its employees or officers and directors who must have access to it in order to operate the Franchised Business. All information, knowledge and know how, including, without limitation, the materials, equipment, specifications, techniques, and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain through publication or communication by others. Franchisee shall execute the Confidentiality and Non-Competition Agreement attached hereto as **Exhibit B**.

13.2 Covenants. Prior to any disclosure of Know How, Franchisee will require all personnel having access to any Know How or confidential information provided by Franchisor, or otherwise playing a role in the solicitation or provision of services to customers, to sign covenants that they will maintain the confidentiality of information they receive in connection with their employment or engagement by Franchisee, in accordance with the form provided as **Exhibit C** hereto. It is expressly understood that

Franchisor is designated as a third party beneficiary of such covenants with the independent right to enforce them.

13.3 **Failure to Comply; Injunctive Relief.** Franchisee acknowledges that any actual or threatened failure to comply with the requirements of this Article 13 will cause Franchisor to suffer immediate and irreparable injury, non-compensable by the payment of mere money damages, permitting Franchisor with or without notice to seek immediate injunctive relief. The losing party agrees to pay all court costs and reasonable attorneys' fees incurred by the prevailing party when Franchisor seeks to obtain specific performance or an injunction against violation of the requirements of this Article 13, and succeeds.

14. **COVENANTS NOT TO COMPETE**

14.1 **In-Term Covenants.** Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee shall receive valuable training and confidential information, including, without limitation, information regarding the promotional, operational, sales, and marketing methods and techniques of Franchisor and the System, and that the covenants not to compete set forth below are fair and reasonable and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience, and education which afford Franchisee the opportunity to derive income from other endeavors. Franchisee covenants that during the term of this Agreement and for a period of two (2) years thereafter, except as otherwise approved in writing by Franchisor, Franchisee will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

14.1.1 Divert or attempt to divert any member, business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

14.1.2 Knowingly employ or seek to employ any supervisory or managerial personnel who is at that time employed by Franchisor or by any other franchisee of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment; or

14.1.3 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in, or have any interest in any business (including any business operated by Franchisee prior to entry into this Agreement) specializing, in whole or in part, in the activities conducted by Franchisee under this Agreement, and any other type of service which Franchisee has rendered under this Agreement and sell any other products and services which Franchisee may be authorized to sell hereunder.

14.2 **Post-Term Covenants.** Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, or upon transfer of this Agreement or the Franchised Business pursuant to Article 14 of this Agreement, and continuing for two (2) years thereafter (and in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in, or have any interest in any business specializing, in whole or in part, in the activities conducted by Franchisee in the key areas of emergency response clean-up services and mold remediation (a "**Competing Business**");

14.2.1 Anywhere within Franchisee's Territory;

14.2.2 Within a fifty (50) mile radius of the perimeter of the Territory; or

14.2.3 Within a radius of fifty (50) miles of the location of any business using the System and/or the Proprietary Marks, whether franchised, licensed or owned by Franchisor or its subsidiary or Affiliated companies.

14.3 **Violation of Covenants.** If Franchisee shall commit any violation of Section 14.2 during the two (2) year period provided for in Section 14.2, in addition to all other remedies available to Franchisor, Franchisee shall pay Franchisor, throughout the twenty-four (24) month period, five percent (5%) of all revenue derived from the operation of the Competitive Business, including the sale of any merchandise, other products and services at or from the Competitive Business, and all other income of every kind and nature of the Competitive Business ("**Post Termination Gross Sales**") in violation of Section 14.2. Franchisee shall account for and pay the five percent (5%) of the Post Termination Gross Sales to Franchisor on the fifteenth day of each month on the Post Termination Gross Sales of the Competitive Business during the previous month. Franchisor shall have the right to audit the books and records of the Competing Business to confirm Franchisee's compliance with this Section 14.3, upon prior notice to Franchisee.

14.4 **Unenforceability.** The parties agree that each of the foregoing covenants are construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made part of this Article 14.

14.5 **Modification of Covenants.** Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 14.1 and 14.2, or any portion thereof, without Franchisee's written consent, effective immediately upon receipt by Franchisee of written notice. Franchisee agrees that it shall comply forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of this Article 14.

14.6 **Claim is Not a Defense.** Franchisee expressly agrees that the existence of any claim that it may have against Franchisor, regardless of whether arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article. Franchisee's remedies, should Franchisor default, consist of specific performance and damages arising from the default, but such remedies do not constitute a defense to enforcement of this Article. Franchisee's remedies, should Franchisor default, consist of specific performance and damages arising from the default, but such remedies do not constitute a defense to enforcement of this Article 14.

14.7 **Injunction.** Franchisee acknowledges that any threatened or actual failure to comply with the requirements of this Article would cause Franchisor to suffer immediate and irreparable injury for which no adequate remedy at law may be available, and Franchisee hereby consents to the *ex parte* entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Article 15. Franchisor may further avail itself of any other legal or equitable rights and remedies which it may have under this Agreement, statute, common law or otherwise.

14.8 **Covenants from Key Persons.** Upon Franchisor's request, Franchisee shall obtain execution of covenants identical in scope to those set forth in this Article (including covenants applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons:

14.8.1 Any key person employed or engaged by Franchisee who have received training from Franchisor or who has been given access to or otherwise receives knowledge of the Know How;

14.8.2 All officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of Franchisee, and of any corporation or limited liability company directly or indirectly controlling Franchisee, if Franchisee is a corporation or limited liability company;

14.8.3 The general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership; and

14.8.4 Each covenant required to be signed pursuant to this Section 14.7 shall be on a form supplied by Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them. The failure by Franchisee to obtain execution of a covenant required by this Section 14.8 shall constitute a default under Section 16.2.

15. ASSIGNMENT AND RIGHT OF FIRST REFUSAL

15.1 **Franchisor's Right to Assign.** Franchisor shall have the right to assign this Agreement, and all of its rights and privileges under this Agreement, to any person, firm, corporation or other entity, without any notice to Franchisee, provided any such assignment includes all then current and non-defaulting Franchise Agreements under the System, and contains representations and warranties from the assignee that the assignee has sufficient business experience, aptitude and financial resources to perform Franchisor's obligations under this Agreement.

15.1.1 Franchisee acknowledges and agrees that Franchisor may sell itself, its assets, its Proprietary Marks, Know How, Copyrights, and/or its System to a third party as part of an arm's length sale of all or substantially all of its assets; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Proprietary Properties (or any variation thereof) and System and/or the loss of association with or identification of 911 Restoration Franchise Inc. as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the business of providing emergency clean-up, restoration and mold remediation, or to offer or sell any products or services to Franchisee beyond the duties assumed by the assignee.

15.1.2 Franchisee acknowledges that Franchisor may assign this Agreement as part of a sale, transfer or other disposition of all or part of the System to an entity or entities which engage(s) in similar or competitive businesses provided the assignee assumes all of the duties and obligations hereunder. Franchisee acknowledges that any such successor shall be deemed to possess, in addition to all other rights, those specific rights reserved to Franchisor in Section 3.3 hereof.

15.2 **Assignment by Franchisee.** To protect the System, the Proprietary Marks, the Copyrights, the Proprietary Properties, Know How and the goodwill associated with the same, neither Franchisee's interest in this Franchise Agreement nor any of its rights or privileges under this Agreement, nor the Franchised Business nor any interest therein, may be assigned, transferred, shared or divided, voluntarily or involuntarily, directly or indirectly, without the prior written consent of Franchisor, which shall not be unreasonably withheld, and without Franchisee first complying with Section 15.2.1. (The use of the term "**assignment**" encompasses any actual or purported assignment, sale, transfer or other arrangement having the purpose or effect of shifting ownership or control in the Franchised Business.) Any actual or purported assignment of this Agreement or of the Franchised Business in violation of the terms is null and void and constitutes an incurable breach of this Agreement. The actual or purported transfer in the aggregate of more than fifty percent (50%) of the Franchised Business shall be deemed to be an "assignment" under this Agreement.

15.2.1 Franchisor's consent to any assignment is subject to the following conditions:

(a) The proposed assignee must demonstrate that it has the skills, qualifications and economic resources necessary, in Franchisor's reasonable judgment, to conduct the Franchised Business and to fulfill its obligations to Franchisee and to Franchisor and otherwise meets all of Franchisor's qualifications for new franchisees.

(b) The assignee must expressly assume in writing all of the obligations of Franchisee under the most current version of Franchisor's Franchise Agreement in existence at the time of assignment (the "**New Franchise Agreement**"), which will be the prevailing agreement.

(c) As of the date of any such assignment, Franchisee shall have fully complied with all of its obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor.

(d) The assignee must execute the New Franchise Agreement in the form and on the terms and conditions then being offered by Franchisor to franchisees (except that the assignee shall not be obligated to pay another Initial Franchise Fee, the term of such New Franchise Agreement shall expire on the expiration date of the original, assigned Franchise Agreement, and the Franchise Fee shall remain the same as that contained in the original, assigned Franchise Agreement).

(e) Franchisor shall be paid a transfer fee equal to \$5,000.

(f) The assignee must satisfactorily complete the training then required of all new franchisees, unless otherwise waived by Franchisor, and shall have paid Franchisor's then-current training fee.

(g) Franchisor will be furnished copies of the signed contract between Franchisee and any such assignee and all related documentation in advance of the assignment, and for the prior written approval of Franchisor, which contract shall be contingent upon Franchisor's approval, which shall not be unreasonably withheld.

(h) Franchisee must have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor, its subsidiaries, Affiliates, and designees, and its officers, directors, shareholders and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. At Franchisee's request, Franchisor will sign a general release running in favor of Franchisee having the same scope as the release signed by Franchisee, except for those matters which survive termination.

(i) The assignee shall not be affiliated in any way with a competitor of Franchisor.

(j) The assignee shall, if required to do so by us, perform any upgrades or updates to the Vehicle and any Franchised Business to conform to Franchisor's then-current requirements.

15.2.2 Upon the death or mental incapacity of any person with any interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within nine (9) months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Article 15, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor within a reasonable time, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement.

15.2.3 The assignee will have executed a confidentiality and non-compete agreement in the form then required by us, which form shall be in substantially the same form attached hereto as Attachment C-1.

15.3 **Qualified Assignment.** Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Franchisee of all of Franchisee's rights under this Agreement to a newly-formed corporation, limited liability company or other business entity provided all of the equity or voting interests of the new business entity are owned by the same owners and in the same proportionate ownership interest as Franchisee (a "**Qualified Assignment**"). Franchisee must obtain Franchisor's prior written consent before completing a qualified Assignment and furnish Franchisor with all documentation Franchisor deems necessary prior to and following the Qualified Assignment.

15.4 **Franchisor's Right of First Refusal.** Franchisee's right to assign, transfer or sell its interest in this Franchise Agreement (voluntarily or by operation of law) and/or the Franchised Business, as provided above, is subject to Franchisor's right of first refusal. (Franchisor maintains the option of waiving this right, in writing.) That is, Franchisor has the right to be offered by Franchisee the opportunity to purchase such interest in the Franchise Agreement and/or the Franchised Business on the terms and conditions which have been offered to and accepted by a bona fide third party in a wholly arms-length transaction. Franchisor's right of first refusal will be exercised in the following manner:

15.4.1 Franchisee shall serve upon Franchisor a written notice setting forth all of the terms and conditions of the proposed assignment specifying the purchase price established by the parties and including reasonably complete information concerning the identity, financial standing and character of the proposed purchaser. Franchisee will attach to the notice a copy of a binding agreement between Franchisee and the proposed purchaser, which agreement is subject to cancellation if Franchisor exercises its right of first refusal or disapproves of the proposed transfer under Section 15.2.

15.4.2 Within thirty (30) days after Franchisor's receipt of such notice (or, if Franchisor shall request additional information, within thirty (30) days after receipt of such additional information), Franchisor may, at its option, purchase the Franchised Business upon the terms and conditions specified in the notice and the agreement.

15.4.3 If Franchisor elects not to exercise its right of first refusal and consents to an assignment, Franchisee is, subject to the provisions of this Article 15, free to assign this Franchise Agreement and/or

the Franchised Business to the proposed assignee on the terms and conditions specified in the notice and the agreement. If, however, the terms of the agreement are materially modified after submission to Franchisor, Franchisor has the right to evaluate the modified agreement for an additional thirty (30) days and, if it chooses to do so, exercise its right of first refusal on the modified terms.

15.5 **No Right to Pledge.** Franchisee does not have the right to pledge, encumber, hypothecate or otherwise give any third party any security interest in this Agreement or in the Proprietary Properties or the Franchised Business in any manner whatsoever without the express written permission of Franchisor, which permission may be withheld for any reason. The foregoing does not apply to the lease, financing, or purchase money security interest granted to a lender in connection with the procurement of equipment by Franchisee in the Franchised Business.

16. **DEFAULT AND TERMINATION**

16.1 **Automatic Termination.** Franchisee shall be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee, or any of Franchisee's partners, if Franchisee is a partnership, or any of its officers, directors, shareholders, or members, if Franchisee is a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 **Termination Upon Notice – No Right to Cure.** Upon the occurrence of any of the following events, Franchisee is deemed to be in default and Franchisor may, in its sole and exclusive discretion, terminate this Agreement and all rights granted hereunder without affording Franchisee any opportunity to cure the default. Termination under this Section shall be effective immediately upon the earlier of the occurrence of any of the following or receipt of notice by Franchisee:

16.2.1 If Franchisee abandons the Franchised Business by failing to operate such business for a period of five (5) consecutive days, or any shorter period after which it is reasonable for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Business, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the reasonable control of Franchisee;

16.2.2 If Franchisee, or any owner or shareholder, director, officer, manager or member of a corporate or limited liability company franchisee, or any partner or officer of a franchisee conducting business as a partnership, is convicted of a felony, a fraud, a crime involving moral turpitude or any other crime or offense that is reasonably likely to have an adverse effect on the System, the Proprietary Marks, or the goodwill associated therewith;

16.2.3 If Franchisee makes any material misrepresentation relating to the creation, acquisition or operation of the Franchised Business or engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business, Franchisor or the System;

16.2.4 If Franchisee fails, for a period of ten (10) days after notification of non-compliance by any duly constituted authority, to comply with any federal, state or local law, regulation or requirement applicable to the operation of the Franchised Business and fails promptly to notify Franchisor of such notification and to satisfy Franchisor of the steps taken to cure any such non-compliance;

16.2.5 If Franchisee repeatedly fails (i.e., at least three (3) or more times within a twelve (12) month period) to comply with any one requirement of this Agreement, whether or not such failures are ultimately corrected;

16.2.6 If Franchisee's default under this Agreement is by its very nature incapable of being cured;

16.2.7 If Franchisee fails to attend and successfully complete Franchisor's Initial Training Program or fails to attend the annual refresher training course or meeting of franchisees unless such requirement is waived by Franchisor;

16.2.8 If Franchisee (or any of its shareholders, directors, officers, managers, members, partners or employees) acquires any interest in a business similar to or competitive with the Franchised Business, except that Franchisee or such other persons may own less than five percent (5%) of the shares of any company listed on any national or regional securities exchange and may own more than one (1) 911 Restoration Business, subject to the approval of Franchisor, which shall not be unreasonably withheld;

16.2.9 If Franchisee engages in the unauthorized use or duplication of any aspect of Franchisor's business, services or products;

16.2.10 If Franchisee engages in the unauthorized use or disclosure of any confidential information or Know How relating to Franchisor, the Franchised Business or the System;

16.2.11 If Franchisee sells, sublicenses, assigns or transfers any interest in this Agreement or the Franchised Business in violation of this Agreement, or if Franchisee's representatives fail to nominate a manager for the Franchised Business upon Franchisee's death or disability within the time period required in Section 15.2.2;

16.2.12 If Franchisee violates any covenant not to compete set forth in Article 14 of this Agreement;

16.2.13 If Franchisee misrepresents, substitutes or "palms off" non-authentic services and/or products for or as Franchisor's services and/or products;

16.2.14 If Franchisee knowingly maintains false books or records or submits any false reports to anyone;

16.2.15 If Franchisee purports to transfer any rights or obligations under this Agreement or any interest in Franchisee to any third party without Franchisor's prior written consent or otherwise in violation of the terms of this Agreement;

16.2.16 If Franchisee violates any state or federal law or ordinance that in any manner relates to or impacts upon the provision of or ability to provide any of the services that Franchisee is required to offer and provide hereunder by the Franchised Business as an entity, or by any individuals who exercise any level of dominion or control over the operations of the Franchised Business, including, without limitation, a conviction based upon such a violation, allegation or charge of such violation without explanation that Franchisor shall deem to be reasonably satisfactory, or failure on Franchisee's part to inform Franchisor of the existence of, threat of, charge or allegation of, or conviction of such violation;

16.2.17 If Franchisee or any of Franchisee's owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, violates any Anti-Terrorism Law or Franchisee or any of Franchisee's owners otherwise violate any such law, ordinance, or regulation; or

16.2.18 If Franchisor fails to commence the operation of the Franchised Business within the time provided in this Agreement;

16.2.19 If Franchisee fails to comply with any other provision or requirement of this Agreement or the Manual after written notice and an opportunity to cure, under Section 16.3.

16.3 **Notice of Termination – Right to Cure.** Except as provided in Sections 16.1 and 16.2 of this Agreement, Franchisee has ten (10) days (for monetary defaults) and thirty (30) days (for non-monetary defaults) from receipt from Franchisor of a written notice of termination in which to remedy the default (or, if the default cannot reasonably be cured within such period, to initiate within that time substantial and continuing action to cure the default) and to provide evidence thereof to Franchisor. If any default is not cured within that time (or if substantial and continuing action to cure the default is not initiated within that time), or such other period as applicable law may require, this Agreement terminates without further notice to Franchisee effective immediately upon expiration of the cure period, or such longer period as applicable law may require. Defaults under this Section include the occurrence of any of the following events:

16.3.1 If Franchisee fails, refuses or neglects promptly to pay when due any monies owed to Franchisor (or its Affiliates, subsidiaries or designees) or fails, refuses or neglects promptly to submit financial or other information required by Franchisor under this Agreement, or makes any false statements in connection therewith;

16.3.2 If Franchisee fails to maintain and operate the Franchised Business in accordance with the provisions or requirements of this Agreement or the Manual;

16.3.3 If Franchisee fails to obtain Franchisor's prior written approval or consent where the same is required pursuant to this Agreement;

16.3.4 If Franchisee misuses, or uses in an unauthorized manner, any of Franchisor's Proprietary Marks, Know How, Copyrights or materially impairs the goodwill associated therewith or Franchisor's rights therein;

16.3.5 If Franchisee participates in any business or in the marketing of any service or product under a name or mark which, in Franchisor's reasonable opinion, is confusingly similar to or a colorable imitation of any of the Proprietary Marks;

16.3.6 If Franchisee offers or sells, as part of the Franchised Business, any unapproved good or service or fails to offer or provide on a regular basis all goods and services which comprise part of the System;

16.3.7 If Franchisee, by act or omission, knowingly permits a violation of any law, ordinance, rule or regulation of any governmental entity to remain uncorrected in the absence of a good faith dispute over its applicability or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom; or

16.3.8 If Franchisee fails to obtain and maintain all required insurance policies or fails to name Franchisor as an additional insured thereunder in accordance with the terms of this Agreement.

16.4 **Cross Default.** Any default by Franchisee (or any person/company Affiliated with Franchisee) under this Agreement may be regarded as a default under any other agreement between Franchisor (or any Affiliate of Franchisor) and Franchisee (or any Affiliate of Franchisee). Any default by Franchisee (or any person/company Affiliated with Franchisee) under any other agreement, including, but not limited to, an area development agreement, any lease and/or sublease, between Franchisor (or any Affiliate of Franchisor) and Franchisee (or any person/company Affiliated with Franchisee), and any default by Franchisee (or any person/company Affiliated with Franchisee) under any obligation to Franchisor (or any Affiliate of Franchisor) may be regarded as a default under this Agreement. Any default by Franchisee (or any person/company Affiliated with Franchisee) under any lease, sublease, loan agreement, security interest or otherwise, whether with Franchisor, any Affiliate of Franchisor and/or any third party may be regarded as a default under this Agreement and/or any other agreement between Franchisor (or any Affiliate of Franchisor) and Franchisee (or any Affiliate of Franchisee). In each of the foregoing cases, Franchisor (and any Affiliate of Franchisor) will have all remedies allowed at law, including termination of Franchisee's rights (and/or those of any person/company Affiliated with Franchisee) and Franchisor's (and/or Franchisor's Affiliates') obligations. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity and Franchisor may pursue any rights and/or remedies available.

16.5 **Amendment Pursuant to Applicable Law.** Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by Franchisor that the grounds for termination set forth in this Agreement do not constitute "**good cause**" for termination within the meaning ascribed to that term by any applicable law or regulation. Franchisor is not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

16.6 **Franchisor's Right to Discontinue Services to Franchisee.** If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivered to Franchisee written notice of such breach pursuant to this Article 16, Franchisor has the right to suspend Franchisor's performance of any of Franchisor's obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor is an approved supplier to Franchisee and/or suspension of

Franchisee's webpage on Franchisor's Website and/or access to the Proprietary Software, until such time as Franchisee corrects the breach.

17. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION

17.1 **Discontinuance of Use of Proprietary Properties.** To protect the System, the Proprietary Marks, the Copyrights, the Proprietary Properties, Know How and the goodwill associated with the same, Upon the termination or expiration of this Franchise Agreement, including related to a termination of the trademark license agreement between Franchisor and Franchisee us and the Trademark Licensor as described in Article 7 above, Franchisee shall forthwith discontinue the use of the Proprietary Marks, Know How, Copyrights and Manual, and Franchisee will not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that it is in any manner Affiliated with Franchisor or a "911 Restoration" business, or any business similar thereto, or any words, phrases or logo's confusingly similar thereto or colorable imitations thereof, and Franchisee shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's confidential information, knowledge or Know How concerning the operation, products, services, trade secrets, procedures, policies, techniques or materials or customers acquired by Franchisee by virtue of the relationship established by this Agreement, including the following:

17.1.1 Standards, specifications or descriptions of Franchisor's products and services;

17.1.2 The Manuals and any supplements thereto;

17.1.3 Any forms, advertising matter, marks, devices, signs, insignia, slogans or designs used from time to time in connection with the Franchised Business;

17.1.4 Any copyrights, Proprietary Marks, trade names and patents now or hereafter applied for or granted in connection therewith, or any marks, logos, words or phrases confusingly similar thereto or colorable imitations thereof;

17.1.5 Any internet website, domain name, uniform resource locator and associated listings under the name "911 Restoration" or any similar designation or listing which relates to the Franchised Business; and

17.1.6 Any telephone number listed in any telephone directory under the name "911 Restoration" or any similar designation or directory listing which relates to the Franchised Business; and

17.1.7 Any and all of the systems, procedures, techniques, criteria, concepts, designs, advertising and promotional techniques, products or service specifications, and all other components, specifications and standards which comprise (or in the future may comprise) part of the System.

17.2 **Cancellation of Assumed Names.** Upon termination or expiration of this Agreement, Franchisee will take such action as may be necessary to cancel any assumed name or equivalent registration which contains any name or mark identical or similar to "911 Restoration" or any other name, trademark or service mark of Franchisor, or colorable imitations thereof, and Franchisee shall furnish Franchisor with proof of discharge of this obligation within thirty (30) days following the termination or expiration of this Agreement.

17.3 **Franchisor as Attorney-In-Fact.** Franchisor may, if Franchisee fails or refuses to do so, sign in Franchisee's name and on Franchisee's behalf any and all documents necessary to cause discontinuation of Franchisee's use of the name "911 Restoration" or any other related or similar name or use thereunder, and Franchisor is irrevocably appointed by Franchisee as Franchisee's attorney-in-fact to do so.

17.4 **Survival of Obligations.** The expiration or termination of this Franchise Agreement shall be without prejudice to the rights of one party against the other party, and such expiration or termination shall not relieve a party of any of its obligations to the other party existing at the time of expiration or termination or terminate those obligations of a party which by their nature survive the expiration or termination of this Agreement.

17.5 **Telephone Numbers and Listings, and Websites and Listings.** Upon termination or expiration of this Agreement, Franchisee shall cease and desist from using any telephone number(s) listed in any telephone directory under the name "911 Restoration" or any other name similar thereto, as well as any internet website, domain name, uniform resource locator or internet listing, whether established in compliance with this Agreement or not, and, upon Franchisor's demand, shall direct the telephone company and internet service provider servicing the Franchised Business to transfer said telephone number(s), listings, website, domain name, uniform resource locator and/or internet listing(s) to us, or to such other person or persons at such location or locations as Franchisor shall direct. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option. Franchisee shall likewise cease and desist from using (or renewing the listing for) any internet Websites, advertising, domain names or the like under the name "911 Restoration" or any other name similar thereto, whether or not established in compliance with this Agreement, and upon Franchisor's demand shall direct the appropriate companies to transfer said Websites, advertising, domain names and the like to us or to such other person or persons Franchisee agrees to execute the forms of agreement Franchisor requires to accomplish the purposes of this Section 17.6.

17.6 **Payment of Monies Owed.** Upon termination or expiration of this Agreement, Franchisee will promptly pay all sums owing to Franchisor (and its subsidiaries, Affiliates or designees). In the event of termination based upon a default of Franchisee, such sums shall include all damages, costs and expenses (including actual attorneys' fees) incurred by Franchisor as a result of the default. The obligation created under this Section shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, inventory, fixtures or other assets owned by Franchisee at the time of default.

17.7 **Compliance with Post-Term Covenants.** Upon termination or expiration of this Agreement, Franchisee will comply with the post-term covenants not to compete set forth in Article 14.

17.8 **Franchisor's Option to Purchase.** Upon termination or expiration of this Agreement for any reason whatsoever, Franchisor or its designee has the option (but not the obligation) for a period of sixty (60) days from such termination or expiration to purchase all of Franchisee's right, title and interest in the Franchised Business (including, without limitation, inventory and supplies and Vehicles); however, that Franchisor may purchase select assets of the Franchised Business in Franchisor's discretion. If Franchisor or Franchisor's designee elect to exercise this right to purchase, it will be for a purchase price (the "**Purchase Price**") equal to the lesser of: (i) the depreciated book value of certain tangible assets in place and owned by Franchisee as of the date of Franchisor's (or Franchisor's designee's) exercise of such option, based on a straight-line depreciation method; or (ii) the fair market value of all such assets as determined by the application of generally accepted accounting principles less the total of (a) the amount of any indebtedness remaining against or secured by any such assets; (b) the amount of any indebtedness or obligation owed by Franchisee to Franchisor, its Affiliates, subsidiaries or designees; (c) the amount of any indebtedness or obligation for which Franchisee or the Franchised Business is

liable (directly or indirectly, contingently or otherwise) and for which Franchisor is or may become liable (directly or indirectly, contingently or otherwise) upon acquiring the Franchised Business or otherwise; and (d) all amounts advanced by Franchisor, or which Franchisor has paid, or which Franchisor has become obligated to pay, on behalf of Franchisee for any reason whatsoever (including, without limitation, interim sums required to be advanced for operations prior to the date of Franchisor's (or its designee's) exercise of the option granted hereunder).

17.8.1 If the parties cannot agree upon the Purchase Price within a reasonable time, an independent appraiser will be designated by the parties, and its determination of the Purchase Price will be binding on the parties. The cost of the appraisal will be split between Franchisee and Franchisor.

17.8.2 If Franchisor exercises its option to purchase the Franchised Business under this Section, the Purchase Price shall be payable as follows:

(a) Twenty percent (20%) of the Purchase Price will be paid at the closing of the purchase transaction by bank or certified check.

(b) The balance of the Purchase Price will be paid over a period of three (3) years in equal monthly installments, the first monthly installment being made on the tenth day of the month following the month in which the initial payment is made. The obligation to make monthly installment payments shall be evidenced by a series of thirty-six (36) negotiable promissory notes of Franchisor payable to the order of Franchisee, each bearing interest from the date of the closing at the published "**Prime Rate**" charged by Morgan Chase Manhattan Bank (or comparable), New York, New York, to its most substantial commercial customers and containing provisions to the effect that should any note be unpaid for more than ten (10) days after written notice of default, the remaining notes shall forthwith become due and payable without any further notice; provided, however, that Franchisor or any holder in due course shall have the right at any time after the calendar year in which the closing takes place to prepay the notes in multiples of \$1,000 in inverse order of maturity, together with interest to the date of payment.

17.8.3 If Franchisor exercises its option to purchase the Franchised Business under this Section 17.9, Franchisee agrees fully to cooperate in effectuating the transaction and undertakes to use its best efforts to provide Franchisor and its designees with all data and documentation as reasonably may be required to give effect to the purposes of this Section and Subsection.

17.8.4 In the event Franchisor does not elect to exercise the foregoing option to purchase the Franchised Business, Franchisee will immediately return to Franchisor all materials which bear any of the Proprietary Marks, trade names or copyrighted material. To the extent that Franchisor may make use of these materials, Franchisor will pay to Franchisee, Franchisee's documented and verified costs for those useful materials. Franchisee will destroy any and all materials not otherwise required to be returned to Franchisor in accordance with this Agreement or the Manual. Contemporaneously, Franchisee will return to Franchisor all copies in its possession of materials and documents (including, among other things, the Manual, corporate records and files, correspondence, brochures, agreements, and disclosure statements) relating to the grant or operation of the Franchised Business.

17.9 **No Right to Proprietary Properties.** Upon expiration or termination, Franchisee shall immediately discontinue the use of each and every aspect of the Proprietary Properties, including the Proprietary Marks and trade dress, and Know How, and thereafter shall no longer use or have the rights to use the Proprietary Properties, or any colorable or confusingly similar variations thereof, or any word, logo or figure similar to the Proprietary Marks, or Know How. In the event of any litigation between the parties hereto with respect to the subject matter hereof, the party in any such litigation in whose favor

a judgment is entered shall be entitled to have and recover, and the other party agrees to pay, its reasonable attorney's fees, court costs, collection fees and expenses, with interest, in addition to any award to which the prevailing party may be otherwise entitled.

17.10 **Use of Franchisee's Equipment.** Upon expiration or termination of this Agreement, Franchisee recognizes and agrees that Franchisor will of necessity require that the System be employed in the Territory for the provision of services to customers. Accordingly, Franchisee permits the use of any and all of Franchisee's equipment and personnel by Franchisor or its designee to provide such services, at reasonable expense.

17.11 **Liquidated Damages.** If Franchisor terminates this Agreement with cause, Franchisee must pay to Franchisor within fifteen (15) from the effective date of termination liquidated damages equal to the average value of the Royalty Fees that Franchisee paid or owed (per month) to Franchisor during the twelve (12) months before the termination multiplied by (i) twenty-four (24), being the number of months in two (2) full years; or (ii) the number of months remaining during the term of this Agreement had it not been terminated, whichever is higher. The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages. This liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. Franchisee and each of its owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

18. **MODIFICATION OF SYSTEM**

18.1 **Compliance with System Modifications.** Franchisee understands and agrees that the System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other market place variables, and if it is to best serve the interests of Franchisor, Franchisee, and the network of all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may, from time to time, change the components of the System including altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which Franchisee's Franchised Business is authorized and required to offer modifying or substituting entirely the building, premises, vehicles, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving, modifying or substituting the Proprietary Properties. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase Franchisee's obligations under this Agreement. Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was signed.

18.2 **No Liability for System Modifications.** Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the

modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

19. **GENERAL PROVISIONS**

19.1 **Sums of Money.** All references in this Agreement to sums of money shall be deemed to refer to lawful money of the United States of America.

19.2 **Severability.** Except as otherwise stated in this Agreement, each provision of this Agreement, and any portion of any provision, is severable and the remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting Franchisee's competitive activities is deemed unenforceable, Franchisee and Franchisor agree that such provisions will be enforced to the fullest extent permissible under governing law. This Agreement is deemed automatically modified to comply with governing law if such law requires: (a) a greater time period for notice of the termination of, or refusal to renew, this Agreement; or (b) the taking of some other action not described in this Agreement. Franchisor may modify any invalid or unenforceable provision to the extent required to be valid and enforceable and Franchisee will be bound by the modified provisions.

19.3 **Waiver.** A party's waiver of any breach(es) under this or any other agreement (whether by failure to exercise a right available, failure to insist on strict compliance with the terms of any agreement, development of a custom or practice which is at variance with the terms of any agreement, acceptance of partial or other payments or otherwise), will not affect the party's rights with regard to any breach by the other party or anyone else. The rights and remedies provided in this Agreement are cumulative and neither party will be prohibited from exercising any rights or remedies provided under this Agreement or permitted under law or equity.

19.4 **Acknowledgments.** Franchisee and Franchisor agree that there does not exist any fiduciary, trust or similar relationship between Franchisee and Franchisor, that the relationship between Franchisee and Franchisor is a normal commercial relationship between independent businesspeople intended for mutual but independent economic benefit and is not in any sense nor is intended to be a fiduciary, trust or similar relationship.

19.4.1 Franchisee acknowledges that it and each of its owners (if Franchisee is a corporation, limited liability company or partnership) and investors has read this Agreement and Franchisor's Disclosure Document and all exhibits and that Franchisee and its owners understand and accept the terms, conditions, and covenants contained in this Agreement as being necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all "911 Restoration" businesses and to protect and preserve the goodwill of the Proprietary Marks and the System.

19.4.2 Franchisee and Franchisor, each agreeing on the critical practical business importance of their relationship being governed solely by written documents signed by Franchisee and Franchisor (including any concurrently executed written personal guarantees, confidentiality and non-competition agreements, Franchisee Disclosure Acknowledgment Statement and/or exhibits, schedules, addenda, promissory note(s), security agreement(s) or other written documents signed by the party to be bound thereby, all of which will be deemed to be part of this Agreement for the purposes of this Subsection) and not wishing to create misunderstandings, confusion and possible conflict through reference to any

alleged prior and/or contemporaneous oral and/or written representations, understandings, agreements or otherwise, jointly intend and agree that (i) this Agreement contains the final, complete and exclusive expression of the terms of the parties' agreement and entirely supersedes and replaces any and all prior and/or concurrent understandings, agreements, inducements, prior course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) between Franchisee and Franchisor; (ii) there are no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) which are not fully expressed in this Agreement; and (iii) no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) of any kind or nature whatsoever have been made by Franchisor or anyone else, nor have been relied upon by Franchisee nor will have any force or effect. Franchisor expressly disclaims any understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) which are not fully expressed in this Agreement. Nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the latest franchise disclosure document that Franchisor furnished to Franchisee.

19.4.3 Franchisee acknowledges and represents that it has not been promised, nor has Franchisor or any of its representatives, employees or agents made any promises, representations and/or warranties, nor has Franchisee received or relied on any promises, representations or warranties, that (i) any payments by Franchisee are refundable at Franchisee's option; (ii) Franchisor will repurchase any rights granted under this Agreement (or any associated business) or will be able to assist Franchisee in any resale; (iii) Franchisee will succeed in the Franchised Business; (iv) Franchisee will achieve any particular sales, income or other levels of performance; (v) Franchisee will have any exclusive rights of any type other than as specifically set forth in this Agreement; or (vi) Franchisee will receive any level of advertising (television or otherwise), marketing assistance, site location, development or other services, operational assistance or otherwise other than as expressly set forth in this Agreement. No contingency, condition, prerequisite, prior requirement, or otherwise (including obtaining financing, obtaining a site or otherwise) exists with respect to Franchisee fully performing any or all of its obligations under this Agreement.

19.4.4 Franchisee has not received or relied on (nor has Franchisor or any of its representatives, employees or agents provided) any: sales, income or other projections of any kind or nature or any statements, representations, data, charts, tables, spreadsheets or mathematical calculations or otherwise which stated or suggested any level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise and neither Franchisor nor any of its representatives, employees or agents made, nor has Franchisee relied on, any promises, representations or warranties as to any profits Franchisee may realize in the operation of the Franchised Business, nor has Franchisee received or relied on any representations regarding any working capital or other funds necessary to reach any "break-even" or any other financial level except as set forth in the Disclosure Document. Franchisor is unable, and does not attempt, to predict, forecast or project future performance, revenues, profits or otherwise of any Franchised Business. If any such information, promises, representations and/or warranties has been provided to Franchisee, it should not be relied on, Franchisor will not be bound by it, and, if Franchisee does rely on such information, promises, representations and/or warranties, Franchisee does so at its own risk.

19.4.5 Franchisee acknowledges and agrees that the success of the business venture contemplated to be undertaken hereunder is speculative, is and will be dependent upon Franchisee's

personal efforts, that entry into any business enterprise is always associated with risk and that no assurance of success has been or can be given to Franchisee. Franchisee acknowledges and represents that it has entered into this Agreement and made an investment only after (i) making an independent investigation of the opportunity, including having received a list, in connection with the presentation of Franchisor's Disclosure Document, of (and having spoken with) other franchisees currently operating "911 Restoration" businesses (if applicable); and (ii) having had an opportunity to have this transaction and all related documents reviewed by an attorney and a financial advisor of its own choosing, such review having been strongly recommended by Franchisor. Franchisee acknowledges that it and each person signing as Franchisee (and/or having any investment and/or interest in the Franchised Business) has received, reviewed, understood and fully read and all questions have been answered regarding a copy of Franchisor's Disclosure Document with all exhibits at least fourteen (14) calendar days before the earlier of Franchisee's and/or any such person (a) signing any binding documents or (b) paying any sums.

19.4.6 Franchisee understands that Franchisor is relying on Franchisee to bring forward in writing at this time any matters inconsistent with any of the matters set forth in this Article or otherwise so that Franchisor can correct any misunderstandings and Franchisee agrees that if any of the statements or matters set forth in this Article or otherwise are not true, correct and complete, Franchisee will make a written statement regarding such next to Franchisee's signature below so that Franchisor may address and resolve any such issue(s) at this time and before either party goes forward.

19.4.7 Franchisee acknowledges and agrees that in all of its dealings with Franchisor, the officers, directors, employees, and agents of Franchisor act only in a representative capacity and not in an individual capacity. Franchisee further acknowledges that this Agreement, and all business dealings between Franchisee and such individuals as a result of this Agreement, are solely between Franchisee and Franchisor. Franchisee further represents to Franchisor, as an inducement to Franchisor's entry into this Agreement, that Franchisee has made no misrepresentations in obtaining the Franchised Business.

19.5 **Notices.** All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery, by certified mail or by email. Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; or (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid. Notices and demands shall be given to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

To Franchisor: 911 Restoration Franchise Inc.
7721 Densmore Avenue
Van Nuys, CA 91406
Attn: President

To Franchisee: _____

Attn: _____
Fax: _____

Either party may change its address for notice purposes by giving the other party written notice of such change.

19.6 **Gender.** Reference to Franchisee as male, female, or no gender shall include male or female franchisee, general or limited partnership, joint venture, corporation, limited liability company, trust, or any other association or business entity, as relevant in the context.

19.7 **Headings.** Headings and captions in this Agreement are for convenience of reference only and shall not be taken into account in construing or interpreting this Agreement.

19.8 **References.** Any reference in this Agreement to any paragraph or other part of this Agreement shall be deemed to include a reference to every subordinate part and/or subparagraph.

19.9 **Delays in Performance.** It is acknowledged and agreed by both parties that any delay in the performance of its obligations under this Agreement would irreparably and irrevocably injure the other party in the conduct of its business and the value of its property. The parties agree that time is of the essence of this Agreement. Except as otherwise specifically permitted in this Agreement, no extension of time shall be implied, nor any delay allowed, in the timely and complete performance of all covenants contained in this Agreement.

19.10 **Independent Investigation and Further Acknowledgments.** Franchisee acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks, and making a success of the venture is largely dependent upon the business abilities of Franchisee. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any representation, warranty or guaranty, expressed or implied, as to the past, present, or future volume, profits, sales, costs of doing business, or success of Franchisor or any other franchisee. Franchisor also expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any representation, warranty or guaranty, expressed or implied, as to the potential volume, profits, sales, costs of doing business, or success of the business venture contemplated by this Agreement. Nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the latest Franchise Disclosure Document that was furnished to Franchisee by Franchisor.

19.10.1 Franchisee warrants that it has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, agents, franchisees, or servants about the business contemplated by this Agreement, or the past, present, or future volume, profits, sales, costs of doing business, or success of Franchisor or any other franchisee that are contrary to the terms of this Agreement or the documents incorporated in this Agreement, and further represents to Franchisor, as an inducement to its entry into this Agreement, that Franchisee has made no misrepresentations in obtaining this Agreement.

19.10.2 Franchisee acknowledges that it has received, read and understands this Agreement and the exhibits to this Agreement, that Franchisee has had an opportunity to review such agreements with its own legal counsel, that Franchisor has fully and adequately explained the provisions of each to its satisfaction, and Franchisor has accorded it ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

19.10.3 Franchisee is aware of the fact that some present or future franchisees of Franchisor may operate under different forms of Agreements and, consequently, that Franchisor's obligations and rights in respect to its various franchisees may differ materially in certain circumstances. This fact will not be used to unfairly discriminate against Franchisee.

19.11 **Resolution of Conflicts.** The parties are urged, but are not required, to discuss and seek resolution of any conflicts that may arise under this Agreement prior to resorting to litigation. The foregoing notwithstanding, in any instance in which Franchisor demonstrates by affidavit evidence to a court of competent jurisdiction that it will suffer immediate and irreparable injury as a consequence of Franchisee's violation of this Agreement, then Franchisee agrees to the entry of ex parte injunctive relief.

19.12 **Provisions are Self-Executing.** Each provision of this Article and those provisions in this Agreement relating to covenants against post-termination/expiration use of the Proprietary Marks, Know How, and Copyrights will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, and will survive and will govern any claim for rescission or otherwise. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

19.13 **Acceptance of Agreement.** This Agreement becomes valid when signed and accepted by Franchisor at its headquarters.

19.14 **Binding Effect; No Modification.** This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both parties.

19.15 **Construction.** Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Except where this Agreement expressly provides otherwise, Franchisor has the right to condition, withhold and/or refuse, in its sole and absolute discretion, any request by Franchisee and Franchisor's approval of, or consent to, any action or omission by Franchisee. The headings of the several articles and sections hereof are for convenience only and do not define, limit, or construe the contents of such articles or sections. The term "**attorneys' fees**" will include, without limitation, legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of this Agreement. References to a "**controlling interest**" in Franchisee will mean more than fifty percent (50%) of the voting control of Franchisee if Franchisee is a corporation or limited liability company, and any general partnership interest if Franchisee is a partnership. The term "**Franchisee**" as used herein is applicable to one or more persons, a corporation, limited liability company or a partnership, as the case may be. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Franchisee under this Agreement, whether or not as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. This Agreement will be executed in multiple copies, each of which will be deemed an original. Each of the provisions of this Article shall apply to any claim brought (or which could be brought) by any principal of Franchisee or by or on Franchisee's behalf.

19.16 **Franchisee Will Not Withhold Sums.** If Franchisee in good faith believes that Franchisor or any other person/entity has violated any legal duty to Franchisee, Franchisee will nevertheless not withhold any sums due Franchisor, any Affiliate or any advertising contribution until such matter has been finally determined.

19.17 **Governing Law.** The parties agree that this Agreement (and all of its exhibits) and all other matters concerning the parties will be governed by, and construed and enforced in accordance with, the laws of the State of California. The parties consent to personal jurisdiction in the Courts of the State of California as to all issues and matters under this Agreement, to the extent suit is brought by Franchisor,

and to the extent suit is brought by Franchisee, Franchisor waives a defense of absence of personal jurisdiction if the suit is brought in the county and state in which Franchisee resides.

19.18 **Counterparts and Electronic Transmission; Electronic Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

20. **DISPUTE RESOLUTION**

20.1 **Arbitration.** Except as otherwise provided in this section, any controversy or dispute arising out of or relating to the franchise or this Agreement including, but not limited to, any claim by Franchisee or any person in privity with or claiming through, on behalf of or in the right of Franchisee concerning the entry into, performance under or termination of this Agreement or any other agreement entered into by Franchisor, or its subsidiaries or Affiliates, and Franchisee, any claim against a past or present employee, officer, director or agent of Franchisor, any claim of breach of this Agreement, and any claims arising under state or Federal laws shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. Persons in privity with or claiming through, on behalf of or in the right of Franchisee include, but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held within five (5) miles of Franchisor's headquarters. However, arbitration will not be used for any dispute which involves Franchisee's continued usage of any of the Proprietary Properties or the System, business concept or any issue involving injunctive relief against Franchisee or any issues related to disclosure or misuse of confidential information, all of which issues will be submitted to a court within the State of California. The parties expressly consent to personal jurisdiction in the State of California and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

20.1.1 Each party will select one (1) arbitrator and the two (2) so chosen will select a third, and failing selection of an arbitrator by either party or by the two chosen by the parties, the arbitrator(s) shall be selected from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrators shall be divided equally between the parties. The arbitrators shall have no authority to amend or modify the terms of this Agreement. The prevailing party shall be entitled to actual costs and attorney's fees incurred in any such arbitration. The award or decision by a majority of the arbitrators shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

20.1.2 Parties to arbitration under this Agreement shall not include, by consolidation, joinder or in any other manner, any person other than Franchisee and any person in privity with or claiming

through, in the right of or on behalf of Franchisee or Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Franchisee or any person in privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor.

20.1.3 The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between Franchisor and Franchisee and no other franchisees. Franchisee agrees not to join or attempt to join other franchisees.

20.2 **Prior Notice of Claims by Franchisee.** Prior to Franchisee taking any legal or other action against Franchisor, whether for arbitration, damages, injunctive, equitable or other relief (including but not limited to rescission) and whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise, based on any alleged act or omission of Franchisor, Franchisee will first give Franchisor sixty (60) days' prior written notice and opportunity to cure such alleged act or omission.

20.3 **Periods In Which to Make Claims.**

20.3.1 The parties agree that, except as provided below, no arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity Affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such arbitration proceeding, action or suit before the expiration of the earlier of:

(a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

20.3.2 Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

20.3.3 The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Franchisee's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

20.3.4 The foregoing limitations shall not apply to Franchisor's claims arising from or related to: (1) Franchisee's under-payment or non-payment of any amounts owed to Franchisor or any Affiliated or otherwise related entity; (2) indemnification by Franchisee; (3) Franchisee's confidentiality, non-competition or other exclusive relationship obligations; and/or (4) Franchisee's unauthorized use of the Proprietary Properties.

20.4 **Withholding Consent.** In no event will Franchisee make any claim, whether directly, by way of setoff, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by Franchisor. Franchisee's sole remedy for any such claim is to submit it to arbitration as described in this Agreement and for the arbitrator to order Franchisor to grant such consent.

20.5 **Survival and Construction.** Each provision of this Article 20, together with the provisions of Article 19, will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise. Each provision of this Agreement will be construed as independent of, and severable from, every other provision; provided that if any part of this Agreement is deemed unlawful in any way, the parties agree that such provision will be deemed interpreted and/or modified to the minimum extent necessary to make such provision lawful or, if such construction is not permitted or available, the remainder of this Agreement will continue in full force and effect. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

20.6 **Costs and Legal Fees.** If Franchisor are required to enforce this Agreement in a judicial or similar proceeding, Franchisee shall reimburse us for Franchisor's costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor are required to engage legal counsel in connection with any failure by Franchisee to comply with this Agreement, Franchisee shall reimburse us for any of the above-listed costs and expenses incurred by us.

9. 21. **SUBMISSION OF AGREEMENT**

21.1 **Submission of Agreement.** The submission of this Franchise Agreement to Franchisee does not itself constitute an offer to sell a franchise. This Franchise Agreement becomes effective only upon the signing by Franchisor and Franchisee. I HAVE READ THE AGREEMENT AND I AGREE TO AND ACCEPT EACH OF ITS PROVISIONS.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the Effective Date.

FRANCHISOR:

911 RESTORATION FRANCHISE INC.
A California corporation

By: _____

Name: _____

Its: _____

FRANCHISEE:

A/An _____

By: _____

Name: _____

Title: _____

EXHIBIT A
TO THE FRANCHISE AGREEMENT
INITIAL FRANCHISE FEE, LOCATION AND TERRITORY

The Initial Franchise Fee is \$_____

The Approved Location of the Franchised Business is _____

The Territory is _____

Territory Population: _____

Franchisee and Franchisor hereby acknowledge and accept the foregoing Territory. Franchisee and Franchisor agree to execute an updated **Exhibit A** as required due to new or changed information.

FRANCHISOR:

911 RESTORATION FRANCHISE INC.

A California corporation

By:_____

Name:_____

Its:_____

FRANCHISEE:

A/AN_____

By:_____

Name:_____

Title:_____

EXHIBIT B
TO THE FRANCHISE AGREEMENT
CONFIDENTIALITY AGREEMENT
(for shareholders, officers, directors,
general partners, members and managers of Franchisee)

This Agreement is made this ____ day of _____, 20__, by and between 911 Restoration Franchise, Inc., with its principal place of business at 7721 Densmore Avenue, Van Nuys, California 91406 (the “**Franchisor**”) and _____ residing at _____ (“**Franchisee**”).

Franchisor sells franchises operating under the “911 Restoration” Trademark, Know How, and Copyrights.

Franchisor has expended considerable time, effort and expense to acquire knowledge and experience in the business of marketing its services to the general public and commercial enterprises. Furthermore, Franchisor has developed a system for the cultivation and operation of emergency response services businesses which provides emergency clean-up from fire damage, water damage and mold damage, as well as providing mold inspections, carpet cleaning, duct cleaning and crawl space cleaning. The System is operated according to certain confidential and proprietary procedures which include: its customer lists and other customer data, methods of doing business, methods of providing emergency cleanup services, a distinctive trade name and logo, proprietary seminar formats, equipment requirements, copyrighted advertising campaigns and materials, uniforms and other items used in operating procedures and certain business techniques, including procedures and instructions set forth in Franchisor’s operations and procedures manual, proprietary software, financial data, instructional materials and training programs, research and development, product and service development plans and trade secrets and intellectual property (collectively, the “**Confidential Information**”). The Confidential Information includes any financial transactions made with anyone including, but not limited to those listed in any 911 Restoration Franchise Agreement with any and all past, present and future franchisees. Said information includes but is not limited to a Franchise Fee agreement and a Royalty Fee agreement between Franchisee and Franchisor.

During the course of doing business with Franchisor, Franchisee has been or will be exposed to and become familiar with various aspects of concepts, designs, procedures, processes and other Confidential Information proprietary to Franchisor. Franchisor desires to be assured by Franchisee that any such information gained will be regarded as proprietary information and will not be disclosed to any third parties, and that Franchisee will not compete with Franchisor or its Affiliates.

In consideration of the continued business relationship between Franchisee and Franchisor, the ongoing disclosure to Franchisee of Franchisor’s confidential and proprietary information, and the mutual covenants contained herein, the parties agree:

1. Franchisee recognizes and acknowledges that during the course of his or her business relationship with Franchisor, he or she will have access to certain Confidential Information not generally known to the public relating to the products, sales or business of Franchisor. Franchisee recognizes and acknowledges that this Confidential Information constitutes a valuable, special and unique asset of Franchisor, access to and knowledge of which are essential to the performance of Franchisee’s duties. Franchisee acknowledges and agrees that all such Confidential Information including -- without limitation -- that which Franchisee conceives or develops, either alone or with others, at any time during his or her business relationship with Franchisor, is and shall remain the exclusive property of Franchisor.

2. **Non-disclosure.** Franchisee agrees that, except as directed by Franchisor, Franchisee will not at any time, whether during or after business relationship with Franchisor, use or disclose to any person for any purpose other than for the benefit of Franchisor any Confidential Information, or permit any person to use, examine and/or make copies of any documents, files, data or other information sources which contain or are derived from Confidential Information, whether prepared by Franchisee or otherwise coming into Franchisee's possession or control, without the prior written permission of Franchisor.

3. **Non-Compete.** For a period of two (2) years after termination of the Franchise Agreement, regardless of the cause, Franchisee shall not, directly or indirectly, within a radius of fifty (50) miles of the perimeter of the Territory; or within a radius of fifty (50) miles of the location of any business using the System and/or the Proprietary Marks, whether franchised, licensed or owned by Franchisor or its subsidiary or Affiliated companies: (a) sell, market or propose to sell or market the services that compete or will compete with the Employer's or Company's then-existing business, or (b) become an employee, employer, consultant, officer, director, partner, trustee or shareholder of more than five percent (5%) of the outstanding common stock of, or provide services or information to any person or entity that sells, markets or proposes to sell or market the services performed by the Company.

4. **Franchisor Materials.** Franchisee will safeguard and return to Franchisor upon termination of Franchisee's business relationship with Franchisor, or sooner if Franchisor so requests, all documents and property in Franchisee's care, custody or control relating to his or her business relationship with Franchisor or Franchisor's business, including, without limitation, any documents that contain the Confidential Information.

5. **Injunctive Relief.** Franchisee acknowledges that disclosure of any Confidential Information or breach or threatened breach of any of the non-competition and non-disclosure covenants or other agreements contained herein would give rise to irreparable injury to Franchisor, which injury would be inadequately compensable in money damages. Franchisee also acknowledges that said breach or threatened breach will result in immediate termination of Franchisee's Franchise Agreement with Franchisor. Accordingly, Franchisor at its sole discretion, may seek and obtain injunctive relief from the breach or threatened breach of any provision, requirement or covenant of this Agreement, in addition to and not in limitation of any other legal remedies which may be available. Franchisee further acknowledges and agrees that the covenants contained herein are necessary to protect the legitimate business interests of Franchisor and Franchisor and are reasonable in scope and content.

6. **Enforcement.** The provisions of this Agreement shall be enforceable notwithstanding the existence of any claim or cause of action against Franchisor by Franchisee, whether predicated on this Agreement or otherwise.

7. **Governing Law.** The Agreement shall be construed in accordance with the internal laws of the State of California. The parties hereto agree to personal jurisdiction in the State of California. Franchisee's obligations under this Agreement supplement and do not supersede the obligations imposed on Franchisee by the laws of the State of California and the United States of America.

8. **Legal Expense.** In any suit, proceeding or action to enforce any term, condition or covenant of this Agreement or to procure an adjudication or determination of the rights of Franchisor or Franchisee, the prevailing party shall be entitled to recover from the other party reasonable sums as attorneys' fees and costs and expenses in connection with such suit, proceeding or action, including any appeal, which sums shall be included in any judgment or decree entered therein.

9. **Waiver of Breach.** The waiver of any breach of any provision of this Agreement or failure to enforce any provision hereof shall not operate or be construed as a waiver of any subsequent breach by any party.

10. **Counterparts and Electronic Transmission; Electronic Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

DATED this ____ day of _____, 20__.

FRANCHISOR:

911 RESTORATION FRANCHISE INC.
A California corporation

By: _____
Name: _____
Its: _____

FRANCHISEE:

A/AN _____

By: _____
Name: _____
Title: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT
NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT
FOR EMPLOYEES OF FRANCHISEE

AGREEMENT made this ____ day of _____, 201__ (the “**Effective Date**”), by and between _____ (“**Franchisee**”), on the one hand, and _____ (“**Recipient**”), on the other hand, with reference to the following facts:

A. **911 RESTORATION FRANCHISE INC.**, a California corporation (“**Franchisor**”), has developed the “**911 System**” for the establishment and operation of 911 Restoration Businesses (“**911 Restoration Businesses**”) that provide emergency clean-up from fire damage, water damage and mold damage, as well as providing mold inspections, carpet cleaning, duct cleaning and crawl space cleaning and that use the trade name and trademark “**911 Restoration**” and other related trademarks, service marks, logos and commercial symbols (the “**Proprietary Marks**”). The Proprietary Marks used to identify the 911 System may be modified by Franchisor, from time to time. Franchisor continues to develop, use and control the use of the Proprietary Marks in order to identify for the public the source of services and products marketed under the Proprietary Marks and the 911 System, and to represent the 911 System’s high standards of quality, appearance and service.

B. The distinguishing characteristics of the 911 System include, without limitation, Franchisor’s operating methods and business practices related to the 911 Restoration Businesses, and the relationship between Franchisor and its franchisees, specifications for equipment, uniforms, defined product offerings, techniques, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, Franchisor’s website, all as Franchisor may modify the same from time to time.

C. The 911 System is comprised of confidential information that has been developed by Franchisor and its Affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and its Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor’s business operations, products and services, techniques, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, customer lists and other customer data, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the 911 Restoration Businesses which may be communicated to Recipient, or of which Recipient may be apprised, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives

independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its Affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the “**Confidential Information**”).

D. Franchisor has and continues to protect the confidentiality of the Confidential Information by, among other things, (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

E. Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a 911 Restoration Business (the “**Franchised Business**”) and to use the 911 System, the Proprietary Marks and the Confidential Information in the operation of the Franchised Business.

F. Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from all supervisory and managerial personnel employed by Franchisee who may have access to the Confidential Information and who may be the recipient of the disclosure of the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement from all supervisory and managerial personnel employed by Franchisee to not use the Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends.

NOW, THEREFORE, IT IS AGREED:

1. **ACKNOWLEDGMENTS OF RECIPIENT.**

1.1 **No Prior Experience, Information or Knowledge.** Prior to his or her employment or engagement by Franchisee, Recipient had no experience, information or knowledge whatsoever about operating a business that provides emergency fire damage clean-up and water damage and mold damage restoration, and/or mold inspections, carpet cleaning, duct cleaning and crawl space cleaning or a 911 Restoration Business. Recipient's knowledge of the Confidential Information was obtained only from Franchisee following the Effective Date and only in the course of Recipient's employment or engagement by Franchisee.

1.2 **Confidential Information.** The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, any other information or material considered proprietary by Franchisor, whether or not designated as Confidential Information by Franchisor but that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy or any other information in oral, written, graphic or electronic form which, given the circumstances surrounding such disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above-described items may be combined with

other information or products or synthesized or used by Franchisor, Franchisee or Recipient. Confidential Information does not include any information which: (a) was in the lawful and unrestricted possession of Recipient prior to its disclosure by Franchisor; (b) is or becomes generally available to the public by acts other than those of Recipient after receiving it; (c) has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisor or Franchisee; or (d) is shown by acceptable evidence to have been independently developed by Recipient.

1.3 **Independent Value.** The Confidential Information (i) is not generally known by the public or parties other than Franchisor, its Affiliates, its franchisees and Franchisee; (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information.

1.4 **Valuable and Proprietary.** The Confidential Information has been developed by Franchisor, its founder and their Affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor, its founder and their Affiliates.

2. **COVENANTS OF RECIPIENT.**

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends:

2.1 **Maintain Confidentiality.** Recipient will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than Franchisee or other personnel employed by Franchisee or independent contractors engaged by Franchisee while a supervisory or managerial employee of Franchisee and will then do so only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee of Franchisee.

2.2 **No Reproduction or Use.** Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee.

2.3 **Restrictions.** Recipient acknowledges and agrees that due to the valuable specialized training and access to the Confidential Information that Recipient will enjoy while employed or engaged by Franchisee:

2.3.1 Recipient will not, while employed or engaged by Franchisee, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any other person or entity (i) divert or attempt to divert any present or prospective Franchised Business customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the 911 System; or (ii) employ or seek to employ any person who is or has been within the previous thirty (30) days employed by Franchisee or Franchisor or an Affiliate of Franchisor as a supervisory or managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment; or (iii)

own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to the Franchised Business or that provides emergency fire damage clean-up and water damage and mold damage restoration, and/or mold inspections, carpet cleaning, duct cleaning, crawl space cleaning or other services conducted by 911 Restoration Businesses similar to the 911 System.

2.3.2 Recipient will not, for a two (2) year period following the date that Recipient is no longer employed or engaged by Franchisee, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any other person or entity (i) divert or attempt to divert any present or prospective Franchised Business customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the 911 System; or (ii) employ or seek to employ any person who is or has been within the previous thirty (30) days employed by Franchisee or Franchisor or an Affiliate of Franchisor as a supervisory or managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment; or (iii) own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that is the same or similar to the Franchised Business or that provides emergency fire damage clean-up and water damage and mold damage restoration, and/or mold inspections, carpet cleaning, duct cleaning, crawl space cleaning or other services conducted by 911 Restoration Businesses in a manner similar to the 911 System.

2.4 **Third Party Beneficiary.** Franchisor is, and shall be and remain, a third party beneficiary of this Agreement and shall have the independent right to enforce the terms of this Agreement.

3. **GENERAL TERMS.**

3.1 **Injunction.** Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the 911 System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement.

3.2 **Heirs and Successors; Entire Agreement.** This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Recipient that expressly modifies this Agreement. The parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No

other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

3.3 **No Right to Use Proprietary Marks or 911 System.** This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, the Confidential Information, which right is expressly reserved by Franchisor.

3.4 **Waiver and Validity.** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.5 **Headings and Gender.** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.6 **Attorneys' Fees.** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If any party to this Agreement commences any legal proceeding against another party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs of suit.

3.7 **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.8 **Notices.** Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisee shall be given to:

Fax: _____

With a copy to:

911 Restoration Franchise Inc.
7721 Densmore Avenue
Van Nuys, CA 91406
Attn: Idan Shpizear
Fax: 818-373-4860

Any notice or demand to Recipient shall be given to:

Fax: _____

Any party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other party.

3.9 **Governing Law and Venue.** This Agreement takes effect upon its acceptance and execution by Franchisee, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Franchised Business is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 3.9 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of California, county of Los Angeles. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

3.10 **Counterparts and Electronic Transmission; Electronic Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted electronically by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date.

FRANCHISEE:

RECIPIENT:

A _____

By: _____

Name: _____

Title: _____

EXHIBIT D
TO THE FRANCHISE AGREEMENT
GUARANTY

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement, and any revisions, modifications and amendments thereto (hereinafter collectively the “**Agreement**”) dated _____, 20____, by and between 911 Restoration Franchise Inc., a California corporation (hereinafter the “**Franchisor**”), and _____ (hereinafter the “**Franchisee**”), each of the undersigned Guarantors hereby grants this Guaranty (this “**Guaranty**”) as follows:

1. The Guarantors do hereby jointly and severally unconditionally guaranty the full, prompt and complete performance of Franchisee under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to Franchisor under the Agreement. The word “**indebtedness**” is used herein in its most comprehensive sense and includes, without limitation, any and all advances, debts, obligations and liabilities of Franchisee, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of Franchisee and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Franchisee or whether Franchisee is joined in any such action.

3. If Franchisee is a corporation, partnership or limited liability company, Franchisor shall not be obligated to inquire into the power or authority of Franchisee or its partners or the officers, directors, agents, members or managers acting or purporting to act on Franchisee’s behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations or partnerships, it shall be conclusively presumed that the Guarantors and the partners, agents, officers and directors acting on their behalf have the express authority to bind such corporations or partnerships and that such corporations or partnerships have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such corporations or partnerships.

4. Franchisor, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. Guarantors’ liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through 2856(a)(3),

inclusive, including without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Section 2899. Guarantors further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Franchisee and Franchisor resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability Guarantor or limit the liability of the other Guarantors hereunder.

7. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter hereof and no representation, understanding, promise or condition concerning the subject matter hereof shall bind Franchisor unless expressed herein.

8. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

9. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Franchised Business is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 9 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

10. If more than one person has executed this Guaranty, the term the "undersigned," as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

11. In each case where the spouse of a Franchisee has executed any documents in connection with the granting of the Agreement, and Franchisee subsequently divorces from such spouse, then, in the event that Franchisee subsequently remarries, the new spouse of such Franchisee

must execute, and agree to be bound by the provisions of, each of the documents previously executed by Franchisee’s original spouse.

12. Franchisor agrees that unless Franchisee is guilty of having misappropriated trust money or otherwise unjustifiably or willfully breached any material term of this Agreement, it will not seek enforcement of its right to money damages against the primary residence of any guarantor.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty under seal effective as of the ____ day of _____, 20__.

Signature

Signature of Spouse (if married)

Printed Name

Printed Name

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

EXHIBIT E
TO THE FRANCHISE AGREEMENT
ELECTRONIC TRANSFER AUTHORIZATION

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND
PAYABLE TO 911 RESTORATION FRANCHISE INC. ("COMPANY")**

Depositor hereby authorizes and requests _____ (the "**Depository**") to initiate debit and credit entries to Depositor's ☐ checking or ☐ savings account (select one) indicated below drawn by and payable to the order of 911 Restoration Franchise Inc. by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name: _____

City: _____ State: _____ Zip Code: _____

Transit/ABA Number: _____ Account Number: _____

This authority is to remain in full force and effect until Company has received written notification from me (or either of us) of its termination in such time and in such manner to afford Company and Depository a responsible opportunity to act on such request.

Depositor: (Please Print)

Date Signed

Signature(s) of Depositor, as Printed Above

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

EXHIBIT F
TO THE FRANCHISE AGREEMENT
CREDIT CARD AUTHORIZATION

AUTHORIZATION TO HONOR CHARGES DRAWN BY AND
PAYABLE TO 911 RESTORATION FRANCHISE INC. ("MERCHANT")

I, _____ (the "Cardholder") hereby authorizes and requests 911 Restoration Franchise Inc. (the "**Merchant**") to initiate a credit charge in the amount of \$_____ indicated below drawn by and payable to the order of 911 Restoration Franchise Inc.

Cardholder agrees that the Merchant's rights with respect to each charge shall be the same as if it were drawn by the Merchant and signed by the Cardholder. The Cardholder further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Merchant shall be under no liability whatsoever.

☐ Visa ☐ MasterCard ☐ American Express ☐ Discover

Credit Card Number: _____

Expiration Date: ____/____/____ VID Code: _____

Billing Address

Street: _____

City: _____ State: _____ Zip Code: _____

This authority is to remain in full force and effect until the Merchant has received written notification from the cardholder of its termination in such time and in such manner to afford 911 Restoration Franchise Inc. and the Cardholder a responsible opportunity to act on such request.

Cardholder's Signature: _____ Date: _____

EXHIBIT G
TO THE FRANCHISE AGREEMENT
PROMISSORY NOTE

\$ _____

[City, State]

Dated: _____

FOR VALUE RECEIVED, the undersigned, _____ (“**Maker**”), a _____ maintaining an office at _____, hereby promises to pay to the order of 911 Restoration Franchise Inc. (“**Payee**”), a California corporation maintaining an office at 7721 Densmore Avenue, Van Nuys, California, the principal sum of _____ Thousand and 00/100 (\$____,000.00) Dollars. Said principal shall be payable with interest thereon at the rate of eight percent (8%) per year in _____ (_____) monthly installments of principal and interest in the amount of _____ (\$_____) Dollars each, commencing on the date hereof, and continuing thereafter on the first day of each of the following _____ (__) months.

Maker shall have the right to prepay this Note in whole at any time or in part from time to time without penalty or premium, provided that on each prepayment Maker shall pay accrued interest on the principal amount so prepaid to the date of such prepayment, and each partial prepayment shall be applied to the installments of this Note in inverse order of their stated maturities.

All payments by Maker on account of principal or interest hereunder shall be made in lawful money of the United States of America, in immediately available funds.

This Note represents the balance owed to Payee under that certain Franchise Agreement, dated _____, between Maker and Payee (the “**Franchise Agreement**”). Unless otherwise defined herein, all capitalized terms used in this Note shall have the meanings assigned to them in the Franchise Agreement.

Each of the following shall be an “**Event of Default**” under this Note:

1. Maker shall fail to make any payment of principal of or interest on this Note on the due date therefor;
2. Any judgment against Maker or any attachment, levy or execution against any of its properties for any amount shall remain unpaid, or shall not be released, discharged, dismissed, or fully bonded for a period of thirty (30) days or more after its entry, issue or levy, as the case may be;
3. Maker shall become insolvent (however evidenced) or be unable, or admit in writing its inability, to pay its debts as they mature;
4. Maker shall make an assignment for the benefit of creditors, or a trustee, receiver or liquidator shall be appointed for Maker or for any of its property, or the commencement of any proceedings by Maker under any bankruptcy, reorganization, arrangement of debt, insolvency, receivership, liquidation or dissolution law or statute, or the commencement of any such proceedings without the consent of Maker, and such proceedings shall continue undischarged for a period of thirty (30) days; or

5. The breach by Maker of any representation, warranty or covenant contained in or made pursuant to the Franchise Agreement.

Upon the occurrence of an Event of Default, Payee may declare the entire unpaid principal amount of this Note and all interest accrued and unpaid hereon to be forthwith due and payable, whereupon the same shall become and be immediately due and payable (time being of the essence of this Note), and recapture the Franchise Agreement and territory associated therewith.

After an Event of Default, interest on the unpaid balance of this Note shall accrue and be payable at the maximum contract rate permitted by law. If an Event of Default should occur, Maker will pay all costs and expenses of enforcement and collection of this Note, including attorneys' fees.

No failure on the part of Payee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by Payee of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

This Note shall be construed in accordance with the laws of the State of California.

This Note shall be binding upon Maker and its successors and assigns, and the terms hereof shall inure to the benefit of Payee and its successors and assigns, including subsequent holders hereof.

Maker hereby waives presentment, demand, protest, dishonor and all other notices and demands in connection with the delivery, acceptance, performance default or endorsement of this Note, and consents to any and all extensions of time, or terms of payment of this Note.

Maker hereby irrevocably consents to the jurisdiction of any applicable California State or federal court over any action or proceeding arising out of any dispute between Maker and Payee, and Maker further irrevocably consents to the service of process in any such action or proceeding by the mailing of a copy of such process to Maker at the address set forth above.

Maker expressly waives any and every right to a trial by jury in any action on or related to this Note or the enforcement thereof.

MAKER:

A/an_____

By:_____

Name:_____

Its:_____

INDIVIDUAL GUARANTY OF PROMISSORY NOTE

In consideration of any financial accommodations previously, now or hereafter made or granted by 911 Restoration Franchise Inc. ("**Lender**") to or for the account of _____ ("**Borrower**"), under that certain Promissory Note (the "**Note**") dated _____, 20__ payable by Borrower to Lender, said Note having been delivered in connection with that certain Franchise Agreement between Borrower as Franchisee and Lender as Franchisor dated _____, 20__ (the "**Franchise Agreement**"), and in order to induce Lender to accept the Note from Borrower, _____ ("**Principal**"), being the _____ [title] and the holder of a majority interest in Borrower, hereby grants this Guaranty (this "**Guaranty**") that: (i) the prompt payment to Lender of all sums which may in any manner whatsoever be presently due and owing and of all sums which shall in the future become in any manner whatsoever due and owing to Lender from Borrower under the Note whether by acceleration or otherwise; and (ii) the due performance by Borrower of all its obligations under the Note.

Principal also agrees: (a) that the liability of Principal is DIRECT, ABSOLUTE AND UNCONDITIONAL and may be enforced without (i) requiring Lender first to resort to any other right, remedy or security or (ii) regard to the validity, regularity or enforceability of any obligation or purported obligation of Borrower under the Note or otherwise; (b) that this Guaranty shall not be impaired by any modification or extension of the Note or any other agreement between Borrower and Lender, nor by any modification or release of any of the obligations hereby guaranteed or of any security therefor, nor by any agreement or arrangement whatsoever with Borrower or anyone else; (c) that Principal shall be liable to Lender for all attorneys' fees and costs incurred by Lender by reason of this Guaranty or in connection with or arising out of or in enforcing any rights granted Lender hereunder or in any respect relating to the Note; (d) that Principal shall not have any right of subrogation, reimbursement or indemnity whatsoever, nor any right of recourse to security for the debts and obligations of Borrower to Lender, unless and until all of Borrower's obligations in respect of the Note have been paid in full; (e) that if Borrower or Principal shall at any time become insolvent or make a general assignment or if a petition in bankruptcy or any insolvency or reorganization proceedings shall be filed or commenced by or against Borrower or Principal, any and all obligations of Principal shall, at Lender's option, become immediately due and payable without notice; (f) that this Guaranty is, as to Principal, a continuing Guaranty which shall remain effective until all obligations of Borrower to Lender shall be paid in full; (g) that nothing shall discharge or satisfy the liability of Principal except the full payment and performance of all Borrower's debts and obligations to Lender in respect of the Note; (h) that any and all present and future debts and obligations of Borrower to Principal are hereby waived and postponed in favor of and subordinated to the full payment and performance of all present and future debts and obligations of Borrower to Lender.

Principal warrants and represents to and covenants with Lender that: this Guaranty contains Principal's entire agreement with respect to Principal's guarantee of Borrower's obligations; all prior agreements, commitments, understandings, representations, warranties and negotiations in connection herewith, if any, are hereby merged into this Guaranty; and no oral representations shall in any manner whatsoever modify or explain any of the terms and conditions of this Guaranty. This Guaranty may not be changed or terminated in any manner whatsoever except in writing signed by Principal and Lender.

Principal covenants with Lender that Principal has the full legal right, power and authority to execute this Guaranty; and that none of Principal's obligations hereunder will result in any breach of any provision of any agreement or instrument to which Principal is a party or by which Principal is bound.

PRINCIPAL WAIVES: (a) notice of acceptance hereof; (b) THE RIGHT TO A JURY TRIAL IN ANY ACTION HEREUNDER; (c) presentment, demand and protest of any instrument and notice

thereof; (d) notice of default; (e) all other notices or formalities to which Principal is or might be entitled whether by law or otherwise; and (f) all rights of set-off.

Principal's obligations under this Guaranty shall include all amounts paid by or on behalf of Borrower which may be recovered by any person or entity as a preference, fraudulent transfer or conveyance or similar transfer and all of Lender's costs and expenses of the defense of any action for such recovery.

This Guaranty, all acts and transactions hereunder and the rights and obligations of the parties hereto, shall be governed, construed and interpreted according to the laws of the State of California. Principal hereby agrees that all actions or proceedings arising directly or indirectly, in connection with, out of or related to this Guaranty ("**Litigation**") shall be litigated, in Lender's sole discretion and election, in state and federal courts in Los Angeles County, California, and Principal hereby subjects himself and consents to the jurisdiction and venue of the federal and state courts located in the State of California, as the exclusive jurisdiction in any action or proceeding brought by Principal arising out of this Guaranty, and any documents or agreements executed in connection therewith, and designates such Courts as the exclusive jurisdiction and the proper venue for any action brought against Principal.

This Guaranty shall be binding upon the successors and assigns of Principal and shall inure to the benefit of Lender's successors and assigns. This Guaranty shall apply in favor of and be jointly and severally enforceable by Lender and each of its Affiliates, successors and assigns.

PRINT NAME: _____, GUARANTOR

SIGNATURE: _____

DATE: _____

HOME ADDRESS: _____

ACKNOWLEDGMENT

STATE OF _____)

ss.:

COUNTY OF _____)

On the _____ day of _____, in the year 20____, before me, the undersigned, a Notary Public in and for said state, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same and that by his/her signature on the instrument, the person executed the instrument.

Notary Public

EXHIBIT H
TO THE FRANCHISE AGREEMENT
SECURITY AGREEMENT

SECURITY AGREEMENT ("**Agreement**") made this _____ day of _____, 201__ (the "**Effective Date**"), by and between **911 RESTORATION FRANCHISE INC.**, a California corporation ("**Secured Party**"), on the one hand, and _____ a/an _____ ("**Debtor**"), on the other hand, with reference to the following facts:

A. On _____, 201__, Debtor entered into a Franchise Agreement (the "**Franchise Agreement**") with Secured Party for the 911 Restoration Franchised Business (the "**Franchised Business**") located at _____ (the "**Franchised Location**") and has agreed to operate the Franchised Business as a franchisee of Franchisor. In conjunction with franchisee's execution of the Franchise Agreement, Debtor has agreed to pay Secured Party the sum of _____ (\$_____) in accordance with the terms of a Promissory Note (the "**Note**"), a copy of which is attached hereto as **Exhibit A**.

B. Secured Party and Debtor desire to enter into this Agreement to grant Secured Party a security interest in the "**Assets**" of the Franchised Business to secure payment of the Note on the terms and conditions set forth herein.

NOW, THEREFORE, IT IS AGREED:

1. **INCORPORATION OF RECITALS.**

The Recitals set forth in Paragraphs A and B of this Agreement are true and correct and are incorporated herein as part of this Agreement.

2. **SECURITY INTERESTS.**

In consideration of the foregoing, Debtor hereby grants to Secured Party a security interest in the Assets as follows:

a. **Collateral.** Debtor hereby grants to Secured Party a continuing security interest in all of the leasehold improvements, fixtures, furnishings and equipment, inventory and supplies located at or used in connection with the Franchised Business, now or hereafter leased or acquired by Debtor, together with all accounts, payment intangibles, attachments, accessories, additions, substitutions and replacements, all cash and non-cash proceeds derived from insurance or the disposition of such assets, all rights of Debtor to use the Secured Party's trademarks, service marks, trade names, trade styles, patents, copyrights and their registrations, trade secret information and other proprietary rights, and all rights granted, owned or licensed to Debtor under contracts and licenses and franchise agreements for the use of Secured Party's trademarks, service marks, trade names, trade styles, patents, copyrights, trade secret information and other proprietary rights (collectively the "**Collateral**"), to secure payment and performance by Debtor of the following obligations (the "**Obligations**"):

(i) All obligations, including payments for inventory, equipment and supplies, obligations and payments under this Agreement and other agreements between Secured Party, its Affiliates and Debtor and other amounts and obligations owed to Secured Party;

(ii) All expenditures of any kind or nature made by Secured Party to preserve the Collateral, including, but not limited to, all amounts paid to discharge taxes, liens, security interest and any other encumbrances against the Collateral, and to repair any damage to the Collateral or otherwise preserve or maintain the Collateral and all insurance thereon;

(iii) All expenditures made or incurred by Secured Party pursuant to the provisions of any credit agreements, any promissory note and this Agreement; and

(iv) All other indebtedness, obligations and liabilities of Debtor to Secured Party, its affiliates or other third parties, direct or indirect, absolute or contingent, due or to become due, whether now or hereafter arising.

b. **Authorization to File Financing Statements.** Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code ("UCC") jurisdiction any initial financing statements and amendments thereto and to furnish any information relating to such filings to Secured Party promptly upon Secured Party's request. Debtor further agrees, at the request and option of Secured Party, to take any and all other actions Secured Party may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of Secured Party to enforce, Secured Party's security interest in any and all of the Collateral.

c. **Right to Assign Secured Party's Rights and Interest.** Secured Party may, without any notice to Debtor or Debtor's consent, transfer any of Secured Party's right under this Agreement, or any security interest in and to the Collateral, and, upon notice, Debtor shall render all performance hereunder to such assignee. Debtor agrees that any such assignee shall have the rights and benefits assigned, but none of the obligations, and will not be subject to any claims, defenses or set-off that Debtor may have against Secured Party.

3. **WARRANTIES OF DEBTOR.**

Debtor warrants, covenants and represents to Secured Party that:

a. **Ownership of Collateral.** Debtor is the owner of all of the Collateral, free and clear of all liens and encumbrances created by Debtor, except liens in favor of Secured Party.

b. **Encumbrances.** Until all obligations of Debtor have been paid and performed under the Note and this Agreement, or the Note is canceled and terminated, Debtor shall not create, incur, assume or suffer to exist any encumbrances on the Collateral, without the prior written consent of Secured Party.

c. **Defense and Indemnity.** Debtor will defend its title and Secured Party's interest in the Collateral against all claims which may affect title to or Secured Party's security interest in the Collateral and will take any action necessary to remove any liens or encumbrances in the Collateral not authorized by this Agreement.

d. **Sale of Collateral.** Until all obligations of Debtor have been paid and performed under the Note and this Agreement, or the Note is canceled and terminated, Debtor shall not sell or otherwise dispose of any assets or properties comprising the Collateral without the prior written consent of Secured Party.

e. **Maintenance and Insurance.** Debtor shall maintain the Collateral in good repair, working order and condition and shall maintain or cause to be maintained, at no cost or expense to Secured Party for the mutual benefit of Debtor and Secured Party, comprehensive broad form general public liability insurance against claims and liability for personal injury, death, or property damage arising from the use, occupancy or condition of the Franchised Business and the improvements at the Franchised Business premises. All insurance policies carried by Debtor shall provide that the policies cannot be canceled or materially changed except after thirty (30) days prior notice by the insurer to Secured Party. All policies shall name Secured Party as an additional insured.

4. **EVENTS OF DEFAULT.**

If one or more of the following events shall occur, Debtor shall be in default under the Note and this Agreement:

a. **Purchase Note.** If Debtor shall default in the due and punctual payment of any installment due under the Purchase Note, whether at maturity, upon acceleration or otherwise, and such default shall continue for a period of ten (10) days after written notice of such default is given by Secured Party to Debtor.

b. **Security Agreement and Other Agreements.** If Debtor shall default in the performance of Debtor's obligations under this Agreement, or under the Franchise Agreement between Debtor and Franchisor dated _____, 201__, or under any other agreement or promissory note between Secured Party and Debtor or Secured Party and such default shall continue for a period of ten (10) days after written notice of such default is given to Debtor.

c. **Sale of Collateral or Business.** If Debtor shall sell, exchange, transfer or make any other disposition of all or substantially all of the assets (other than a transfer by Debtor to an Affiliated entity) of the Franchised Business.

d. **Adjudication.** If Debtor shall be adjudicated bankrupt or insolvent, or make an assignment for the benefit of creditors; or Debtor shall apply for or consent to the appointment of a custodian, receiver, trustee, or similar officer for it or for all or any substantial part of its Collateral; or such custodian, receiver, trustee or similar officer shall be appointed without the application or consent of Debtor, and such appointment shall continue undischarged for a period of sixty (60) days.

e. **Institution of Proceedings.** If Debtor shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against Debtor and shall remain undismissed for a period of sixty (60) days.

f. **Effect of Default.** Upon the occurrence of an event of default under Sections 4(c), 4(d) or 4(e) above, automatically, and, upon the occurrence of an event of default under Sections 4(a) or 4(b), upon the election of Secured Party following the expiration of the ten (10) day period provided therein, the entire principal balance of the Note, and any accrued interest, without further demand, shall immediately become due and payable. No delay or omission on the part of Secured Party in exercising any right under the Note shall operate as a waiver of such right.

g. **Possession of Collateral and Remedies.** Upon the occurrence of any event of default set forth above or upon the occurrence of any other default in payment or performance of any

Obligations for which this security interest is granted, Secured Party shall have, in addition to all other rights and remedies, the remedies of a secured party under the UCC as then in effect in the state in which the Franchised Business is located, regardless of whether the UCC applies to the security transactions covered by this Agreement, including without limitation the right to accelerate the maturity of the obligations, without notice or demand, and the immediate right to take possession and use of the Collateral and any proceeds thereof wherever located. Debtor shall assemble the Collateral and make the Collateral and all records relating thereto available to Secured Party at a place to be designated by Secured Party that is reasonably convenient for both parties. If notice is required, Secured Party shall give to Debtor at least five (5) business days prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or any other intended disposition is to be made. Debtor hereby acknowledges that five (5) business days prior written notice of such sale or sales shall be reasonable notice. During the time that Secured Party is in possession of the Collateral, and to the extent permitted by law, Secured Party shall have the right to hold, use, operate, manage and control all or any part of the Collateral; to make all such repairs, replacements, alterations, additions and improvements to the Collateral as it may deem proper; and to demand, collect and retain all earnings, proceeds from such use and all other costs, expenses, charges, damage or loss by reason of such use.

5. **GENERAL PROVISIONS.**

a. **Governing Law and Venue.** This Agreement shall be governed and construed in accordance with the laws of the State of California. Venue for purposes of any actions brought in connection with or arising out of this Agreement shall be conclusively presumed to be in the State of California, County of Los Angeles.

b. **Notices.** All notices or demands shall be in writing and shall be served in person by Express Mail, by Certified Mail or by private overnight delivery. Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) twenty-four (24) hours (exclusive of weekends and national holidays) after deposit in the United States Mail, properly addressed and postage prepaid, if served by Express Mail; (iii) upon the earlier of actual receipt or three (3) calendar days after deposit in the United States Mail, properly addressed and postage prepaid, return receipt requested, if served by Certified Mail; or (iv) twenty-four (24) hours after delivery by the party giving the notice, statement or demand, if by private overnight delivery.

If to Secured Party:

911 Restoration Franchise, Inc.
7721 Densmore Avenue
Van Nuys, CA 91406
Attn: Idan Shpizear

If to Debtor:

Attn: _____
Fax: _____

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties.

c. **Waivers.** The delay, omission or forbearance by Secured Party to take action to remedy or seek damages for the breach or default of any term, covenant or condition herein contained or to exercise any right, power or duty arising from such breach or default shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach or default of the same or any other term, covenant or condition herein contained. The subsequent acceptance of payments by Secured Party shall not be deemed to be a waiver of any preceding breach or default by Debtor other than its failure to pay the particular payment so accepted, regardless of Secured Party's knowledge of such preceding breach or default at the time of acceptance of such payment.

d. **Attorneys' Fees.** If any legal action is brought to enforce the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs, and any and all costs of collection, in addition to any other relief to which that party may be entitled.

e. **Modification.** This Agreement may be modified only by a writing executed by the party sought to be bound.

f. **Entire Agreement.** This Agreement, the other agreements referred to herein and any other agreement that may be executed by the parties concurrently with the execution of this Agreement, set forth the entire agreement and understanding of the parties and any agreement, representation or understanding, express or implied, heretofore made by either party or exchanged between the parties are hereby waived and canceled.

g. **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

h. **Titles.** The various titles of the Sections herein are used solely for convenience and shall not be used in interpreting or construing any word, clause, paragraph, or subparagraph of this Agreement.

i. **Gender.** All words used in this Agreement in the singular shall include the plural and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

j. **Successors.** This Agreement shall be binding upon all of the parties hereto, their respective heirs, executors, administrators, personal representatives, successors and assigns.

k. **Severability.** The invalidity of any one or more of the provisions contained in this Agreement as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

l. **Additional Documents.** Debtor agrees to execute, acknowledge and deliver to Secured Party and to procure the execution, acknowledgment and delivery to Secured Party of any additional documents or instruments which Secured Party may reasonably require to fully effectuate and carry out the provisions of this Agreement.

m. **Counterparts and Electronic Transmission; Electronic Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted electronically by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies

are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement and the Exhibits.

n. **Representation By Counsel.** Debtor acknowledges and agrees that Debtor has been represented by independent legal counsel of Debtor's choice in connection with the negotiation and review of the terms and conditions of this Agreement, or has had the opportunity to have legal counsel assist Debtor but has voluntarily elected not to do so.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

SECURED PARTY:

911 RESTORATION, INC.,
A California corporation

By: _____
Name: _____
Its: _____

DEBTOR:

A/AN _____

By: _____
Name: _____
Its: _____

EXHIBIT I
TO THE FRANCHISE AGREEMENT
CONVERSION ADDENDUM

THIS AGREEMENT is made and entered into this ____ day of _____, 20__ between 911 Restoration Franchise Inc., a *California* corporation with its principal office at 7721 Densmore Avenue, Van Nuys, CA 91406 (the “**Franchisor**”) and _____ whose principal address is _____, an individual/partnership/corporation formed or incorporated in the State of _____ (the “**Franchisee**”).

The parties hereby amend the Franchise Agreement dated _____, 20__ (the “**Agreement**”), in accordance with the following, in addition to the deletions, additions and modifications (which shall control in the event of any ambiguity between any of them and the terms of the pre-printed form), which appear on the pre-printed form of agreement to which this Addendum is attached. In the event of any conflict or ambiguity between the terms of this Addendum and the Franchise Agreement, the terms of this Addendum shall control.

1. Section 5.1.3 is hereby modified by adding the following paragraph at the end of the Section:

“If Franchisee is a conversion franchisee, any online presence related to Franchisee’s existing business before the conversion, such as websites and social media business pages (including Facebook, LinkedIn and/or Twitter) and any e-mail addresses, URLs, domain names, Internet listings and “followers” relating to the websites and social media pages shall become Franchisor’s property upon execution of the Franchise Agreement, and Franchisee shall sign any documentation we require to evidence the transfer of these items to us.”

2. Section 8.4 titled “Royalty Fee” is hereby amended by deleting the first two sentences of the first paragraph of Section 8.4 and replacing them with the following:

*“In addition to the Initial Franchise Fee, and in accordance with the Gross Revenue report and bank statement as required pursuant to Section 8.6, a percent of Gross Revenue each year based on the average annual gross revenue of Franchisee’s existing business for the prior 3 years (“**Royalty Fee**”). Below is the schedule of Royalty Fee due Franchisor by year.*

<i>Average Annual Revenue of Franchisee’s existing business</i>	<i>Year of Operation as a 911 Restoration</i>	<i>Royalty for Restoration Services</i>	<i>Royalty for any other services⁽¹⁾</i>
<i>\$1,000,000 or greater</i>	<i>Year 1</i>	<i>2%</i>	<i>1%</i>
	<i>Year 2</i>	<i>3%</i>	<i>2%</i>
	<i>Year 3</i>	<i>5%</i>	<i>3%</i>
	<i>Year 4 and each year thereafter for the remaining term of the Agreement</i>	<i>Then current royalty for a Traditional Franchise</i>	

<i>Average Annual Revenue of Franchisee's existing business</i>	<i>Year of Operation as a 911 Restoration</i>	<i>Royalty for Restoration Services</i>	<i>Royalty for any other services⁽¹⁾</i>
\$750,000 - \$999,999	Year 1	4%	1.5%
	Year 2	6%	2.5%
	Year 3	8%	3%
	Year 4 and each year thereafter for the remaining term of the Agreement	Then current royalty for a Traditional Franchise	

<i>Average Annual Revenue of Franchisee's existing business</i>	<i>Year of Operation as a 911 Restoration</i>	<i>Royalty for Restoration Services</i>	<i>Royalty for any other services⁽¹⁾</i>
\$500,000 - \$749,999	Year 1	5%	2.5%
	Year 2	7%	3%
	Year 3	9%	3%
	Year 4 and each year thereafter for the remaining term of the Agreement	Then current royalty for a Traditional Franchise	

<i>Average Annual Revenue of Franchisee's existing business</i>	<i>Year of Operation as a 911 Restoration</i>	<i>Royalty for Restoration Services</i>	<i>Royalty for any other services⁽¹⁾</i>
\$400,000 - \$499,999	Year 1	8%	3%
	Year 2	9%	3%
	Year 3	9.5%	3%
	Year 4 and each year thereafter for the remaining term of the Agreement	Then current royalty for a Traditional Franchise	

3. Section 8.4 is hereby amended by adding the following at the end of the Section:

“Franchisee hereby agrees and acknowledges that Franchisee is converting its existing restoration business to a 911 Restoration Franchised Business. Prior to operating as a 911 Restoration Franchise, Franchisee must submit the following to Franchisor: 1) a full schedule of all inventory with photographs, and 2) proof of at least one (1) vehicle converted to Franchisor's specifications. The full and complete business conversion to a 911 Restoration Franchised Business must take place within the three (3) months of the Effective Date. Failure to do so shall be grounds for termination of the Franchise Agreement.”

4. Section 9.2.2 shall be deleted in its entirety and replace with the following:

“If upon receipt of a full schedule, including photographs, of Franchisee's existing inventory and equipment, Franchisor then offers to Franchisee a Franchise Agreement

for execution, then Franchisor shall have deemed Franchisee's existing facility approved to be converted to a 911 Restoration "Franchised Business."

5. Section 9.2.3 is amended to state that Franchisee agrees to have Franchisee's Franchised Business open and operating in 90 (ninety) days from the Effective Date.
6. Section 9.5 shall be amended to state that if Franchisee wishes to use an existing vehicle in connection with the Franchised Business, Franchisor must approve of Franchisee's vehicle as meeting Franchisor's standards and it must be lettered or painted according to Franchisor's precise specifications prior to use.
7. Section 16.3 shall be amended to add the following:

"16.3.9 If Franchisee fails to fully and completely convert its existing business to a 911 Restoration Franchised Business, as determined by Franchisor in its sole determination, within 90 days of the Effective Date."

IN WITNESS WHEREOF, the parties hereto have executed this Addendum as of the Effective Date.

FRANCHISOR:

911 RESTORATION FRANCHISE INC.,
A California corporation

By: _____
Name: _____
Its: _____

FRANCHISEE:

A/AN _____

By: _____
Name: _____
Title: _____

EXHIBIT J
TO THE FRANCHISE AGREEMENT
MULTI-TERRITORY DEPOSIT AMENDMENT

THIS MULTI-TERRITORY DEPOSIT AMENDMENT (the “**Deposit Amendment**”) is made and entered into this ____ day of _____, 20____ (“**Effective Date**”) between **911 RESTORATION FRANCHISE INC.**, a California corporation (“**Franchisor**”) on the one hand, and _____ an individual/partnership/corporation formed or incorporated in the State of _____ (“**Franchisee**”), on the other hand, with reference to the following facts:

A. Franchisor and Franchisee are, concurrently with the signing of this Deposit Amendment, entering into a Franchise Agreement dated _____ (the “**Franchise Agreement**”) under which Franchisee will obtain a franchise to own and operate a 911 Restoration Franchised Business (the “**Franchised Business**”), and a license to use, within the Territory granted and set forth in the Franchise Agreement, Franchisor’s System, Proprietary Marks, Know How, Copyrights, and any other Proprietary Properties as part of the System in connection with the Franchised Business, in accordance with the Franchise Agreement.

B. Franchisee wishes to ensure that if Franchisee desires to obtain and qualifies to acquire a franchise for one and, if applicable, two (2) additional franchised territories (each, an “**Additional Franchised Territory**”) for a 911 Restoration franchised business during the term of this Deposit Amendment, that Franchisee will receive a reduction in the Initial Franchise Fee payable for each Additional Franchised Territory, as provided in Section 1.3 below.

C. Franchisor is willing to grant Franchisee the option to obtain conditional rights to obtain franchises for a first, and if applicable, second Additional Franchised Territory, and a reduction in the Initial Franchise Fee payable for each Additional Franchised Territory on the terms and conditions described in this Deposit Amendment.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **DEPOSIT; CONDITIONAL RIGHTS.**

1.1. **Deposit.** On the Effective Date, Franchisee shall pay to Franchisor \$5,000 (the “**Deposit**”) in a lump sum for each Additional Franchised Territory proposed to be acquired by Franchisee. The Deposit is non-refundable in whole or in part, except as provided in Section 1.5 below.

1.2 **Conditional Rights to Obtain Franchises for Additional Franchised Territory.** Franchisee understands and agrees that this Deposit Amendment only confers upon Franchisee a conditional right to obtain a first Additional Franchised Territory, or to obtain a first and second Additional Franchised Territory in accordance with the terms of Franchisor’s then-current Franchise Agreement. Franchisee’s right to obtain an Additional Franchised Territory is expressly contingent upon: (i) Franchisee’s strict compliance at all times with the requirements of this Deposit Amendment, the Franchise Agreement, any other agreements between Franchisor and Franchisee, and Franchisor’s standards, policies and specifications, whether contained in the Manuals (as defined in the Franchise Agreement) or any other written communications to Franchisee by Franchisor, relating to the development, appearance or operation of Franchisee’s Territory; (ii) the delivery by Franchisee and each of its shareholders, members and partners of Franchisor’s then-current General Release in favor of Franchisor in form and substance satisfactory to Franchisor (a “**General Release**”) on the date of Franchisee’s execution of Franchisor’s then-current Franchise Agreement for an Additional Franchised Territory; (iii) Franchisee’s

ability to meet Franchisor's then-current financial criteria then generally applicable to an award of an Additional Franchised Territory to a 911 Restoration franchisee, as applicable; and (iv) Franchisee's agreement to commence operation of business in the Additional Franchised Territory within the applicable deadlines noted in Section 1.3 below.

1.3 **Conditional Grant of Franchises for Additional Franchised Territory.** Provided that the conditions set forth in Section 1.2 are satisfied by Franchisee, and Franchisee is otherwise in compliance with the Franchise Agreement and this Deposit Amendment, Following Franchisor's receipt of written notice from Franchisee of Franchisee's desire to acquire an Additional Franchised Territory, Franchisor shall grant to Franchisee, subject to the terms and conditions of Franchisor's then-current Franchise Agreement:

(CHECK FOR ONE OR TWO ADDITIONAL FRANCHISED TERRITORIES)

_____ (i) a first Additional Franchised Territory for an Initial Franchise Fee of \$44,000. The first Additional Franchised Territory must open for business not later than _____ (the "**Expiration Date**"). The first Additional Franchised Territory will include the following zip codes:

_____.

OR

_____ (ii) a first Additional Franchised Territory for an Initial Franchise Fee of \$44,000 and a second Additional Franchised Territory for an Initial Franchise Fee of \$39,000. The first Additional Franchised Territory must open for business not later than _____ (the "**First Expiration Date**"). The second Additional Franchised Territory must open for business not later than _____ (the "**Second Expiration Date**"). The second Additional Franchised Territory will include the following zip codes:

_____.

1.4 **Payment of Initial Franchise Fees.** Provided that Franchisee desires to proceed with the acquisition of a franchise for the applicable Additional Franchised Territory, Franchisee is otherwise in compliance with the Franchise Agreement and this Deposit Amendment and satisfies the conditions set forth in Section 1.2, Franchisee shall have the right to pay the applicable Initial Franchise Fee for the first Additional Franchised Territory and the second Additional Franchised Territory on the date of execution of Franchisor's then-current Franchise Agreement for the applicable Additional Franchised Territory as follows: ten percent (10%) down payment with equal monthly payments over a twelve (12) to eighteen (18) month period for the remaining balance, with interest rate at the prime rate of interest plus two (2) points, determined on the date of execution of Franchisor's then-current Franchise Agreement for the applicable Additional Franchised Territory. If Franchisor and Franchisee enter into a first and, if applicable, a second Additional Franchised Territory, the Deposit for each Additional Franchised Territory will be applied as a credit against the Initial Franchise Fee due for each Additional Franchised Territory.

1.5 **Refund of Deposit.** Solely in the event of the termination of this Deposit Amendment by Franchisor due to Franchisee's failure to open a 911 Restoration franchised business in an Additional Franchised Territory by the deadlines established in Section 1.3(i) and/or Section 1.3(ii), Franchisor shall refund to Franchisee twenty percent (20%) of the Deposit actually received by Franchisor for each Additional Franchised Territory (not to exceed \$1,000 for any Additional Franchised Territory) not

opened in compliance with Section 1.3(i) and/or Section 1.3(ii). Except as expressly stated in this Section 1.5, Franchisee shall not be entitled to, and shall not receive, any refund or credit for any portion of any Deposit upon the transfer, assignment, termination or expiration of this Deposit Amendment or any Franchise Agreement to which Franchisee and Franchisor are parties.

2. **OPENING DEADLINES; DELAY; TERM AND TERMINATION.**

2.1 **No Requirement.** Franchisee is not required under this Deposit Amendment to develop and open any Additional Franchised Territory. However, if Franchisee chooses to acquire an Additional Franchised Territory, subject to the above described conditions, each Additional Franchised Territory must be opened by the deadline provided in Section 1.3(i) and/or Section 1.3(ii) above. For purposes of this Deposit Amendment, an Additional Franchised Territory will be considered to have been “**opened**” once the then-current Franchise Agreement is executed and business operations actually begin in the Additional Franchised Territory.

2.2 **Delay.** The parties acknowledge and agree that if, at the time Franchisee elects to acquire an Additional Franchised Territory, Franchisor is not legally able to deliver a Franchise Disclosure Document to Franchisee due to any lapse or expiration of any applicable franchise registration, or because Franchisor is in the process of amending such registration, or for any other reason, Franchisor may delay the award/execution of any Franchise Agreement accordingly without liability to Franchisee. In addition, if Franchisee is attempting, but is unable to meet, an applicable opening deadline for an Additional Franchised Territory solely as a result of an event of “**Force Majeure**” (as defined in the Franchise Agreement), the applicable deadline shall be extended for the duration of the Force Majeure event.

2.3 **Term.** Unless earlier terminated as provided herein or extended under the circumstances noted in Section 3.2, the term of this Deposit Amendment shall expire on the first to occur of:

- (i) The expiration of _____ months from the Effective Date;
- (ii) The Expiration Date noted in Section 1.3(i) if Franchisee does not open one Additional Franchised Territory by the Expiration Date noted in Section 1.3(i);
- (iii) The First Expiration Date noted in Section 1.3(ii) if Franchisee does not open the first of two (2) Additional Franchised Territories by the First Expiration Date noted in Section 1.3(ii); or
- (iv) The Second Expiration Date noted in Section 1.3(ii) if Franchisee does not open the second of two (2) Additional Franchised Territories by the Second Expiration Date noted in Section 1.3(ii).

2.4 **Termination.** Franchisor shall have the right, but not the obligation, to immediately terminate this Deposit Amendment, effective upon Franchisee’s receipt of written notice of termination, if:

- (i) Franchisee fails to comply with any provision of this Deposit Amendment and does not cure such failure within thirty (30) days after Franchisee’s receipt of Franchisor’s written notice. Notwithstanding the foregoing, Franchisee shall not have the right to cure any default resulting from Franchisee’s failure to meet any deadline in Section 1.3(i) and/or Section 1.3(ii); or
- (ii) Franchisor terminates any Franchise Agreement to which Franchisee and Franchisor are parties.

2.5 **Effect of Termination or Expiration.** Upon the termination or expiration of this Deposit Amendment, all rights and obligations of Franchisee under this Deposit Amendment shall terminate and be of no further force or effect.

3 **NO ASSIGNMENT.**

The rights granted to Franchisee under this Deposit Amendment are personal to Franchisee and may not be assigned or delegated by Franchisee to any third party without the prior written consent of Franchisor.

4. **GENERAL TERMS.**

4.1 **Heirs and Successors.** This Deposit Amendment shall be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

4.2 **Entire Agreement.** This Deposit Amendment represents the entire understanding between the parties regarding the subject matter of this Deposit Amendment and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Deposit Amendment may not be modified except by a written instrument signed by Franchisor and Franchisee that expressly modifies this Deposit Amendment. The parties intend this Deposit Amendment to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Deposit Amendment. No other agreements, representations, promises, commitments or the like, of any nature, exist between the parties.

4.3 **Waiver and Validity.** Failure by Franchisor to enforce any rights under this Deposit Amendment shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Deposit Amendment shall not affect the validity of the remaining portions and unless substantial performance of this Deposit Amendment is frustrated by any such invalidity, this Deposit Amendment shall continue in full force and effect.

4.4 **Headings.** The headings in this Deposit Amendment are for purposes of convenience only and shall not be used in construing the provisions of this Deposit Amendment. As used in this Deposit Amendment, the singular shall include the plural and the plural, the singular.

4.5 **Attorneys' Fees.** If Franchisor becomes a party to any legal proceedings concerning this Deposit Amendment by reason of any act or omission of Franchisee, Franchisee shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If any party to this Deposit Amendment commences any legal proceeding against another party arising out of or in connection with this Deposit Amendment, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs of suit.

4.6 **Cumulative Remedies.** Any specific right or remedy set forth in this Deposit Amendment, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

4.7 **Governing Law and Venue.** This Deposit Amendment takes effect upon its acceptance and execution by Franchisee, and shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Deposit Amendment would not be enforceable under the laws of California, and if the Franchised Business is located outside of California

and such provision would be enforceable under the laws of the state in which the Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 5.7 is intended by the parties to subject this Deposit Amendment to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject. The parties agree that any action or proceeding brought by either party against the other in any court, whether federal or state, shall be brought within the State of California, county of Los Angeles. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

4.8 **Arbitration.** Except as otherwise provided in Section 21.1 of the Franchise Agreement, any controversy or dispute between the parties arising out of or relating to this Deposit Amendment laws shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute in accordance with Section 21.1 of the Franchise Agreement

4.9 **Counterparts and Electronic Transmission; Electronic Signatures.** This Deposit Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Deposit Amendment with signatures that have been transmitted electronically by email or by facsimile shall constitute and be deemed original copies of this Deposit Amendment for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Deposit Amendment. In addition, this Deposit Amendment may be signed electronically by the parties and electronic signatures appearing on this Deposit Amendment shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Deposit Amendment.

IN WITNESS WHEREOF, the parties hereto have executed this Deposit Amendment effective as of the Effective Date.

FRANCHISOR:

911 RESTORATION FRANCHISE INC.
A California corporation

By: _____
Name: _____
Its: _____

FRANCHISEE:

A/An _____

By: _____
Name: _____
Title: _____

EXHIBIT K
TO THE FRANCHISE AGREEMENT
INSURANCE REQUIREMENTS

Insurance Requirements

Franchisee shall procure and maintain throughout the term of their Franchisee Agreement insurance from a carrier with an A.M. Best rating of "A-" VIII or better. Franchisee shall furnish Franchisor with a Certificate of Insurance prior to commencing work to include coverage and Minimum limits as follows:

Commercial General Liability

Form: Commercial General Liability including premises & operations, owners and Contractor's protective, broad form property damage, contractual liability, no XCU exclusions & products/completed operations written on an occurrence form.

General Liability:

Occurrence policy form — ISO CG0001 or most recently approved version or equivalent

\$1,000,000 limit Each Occurrence BI/PD

\$1,000,000 limit Each Occurrence Personal Injury

\$2,000,000 General aggregate

\$2,000,000 products/completed operation aggregate

Blanket Contractual Liability

Blanket Waiver of Subrogation for Additional Insureds

Blanket Primary & Non-Contributory coverage for Additional Insureds

Completed Operations coverage for Additional Insureds

No restriction on the scope of operations usual to a 911 Restoration franchise

No exclusions for claims from additions or remodeling projects

No exclusions for existing residential or habitational jobs

Defense costs must be outside the general liability limits and shall not have any limitations

Policy shall include a per project/location aggregate

If franchisee operates in New York, there shall be no exclusions for New York operations.

There shall be "no action over" exclusions accepted for contractors operating in New York

***see Additional Insured Endorsements Section

Umbrella

Form: Umbrella or Follow-Form Excess Liability

Minimum Limits: \$1,000,000 per occurrence / \$1,000,000 Aggregate

Other: Policy term to be concurrent with Commercial General Liability Policy. Umbrella coverage must provide excess liability over the General Liability,

Pollution Liability, mold liability, auto liability, professional liability and employers liability.

If the Umbrella liability is placed with an admitted carrier or a carrier that will not provide excess liability coverage over the CPL or mold, it would then be acceptable to place this umbrella providing the monoline CPL limits are written to include a \$2,000,000 / \$2,000,000 limit.

Automobile Liability

Form: Commercial Auto Liability shall be written to provide "any auto" Symbol 1, or if Symbol 1 is not available from the carrier, then a combination of Symbols 2, 8, and 9 shall be acceptable and provide coverage for all owned autos, hired, and non-owned autos.

911 Restoration shall be named as an additional insured for the commercial auto policy.

Minimum Limits: \$1,000,000 combined limit

Professional Liability

Minimum Limits: \$1,000,000 each occurrence

Coverage may be written on a claims-made form. If the professional liability is on a Claims Made form, the retroactive date must coincide with the start date of your franchise, or the inception date of the first professional liability policy you obtained claims made coverage for, or the expiration date of your previous occurrence form.

No policies that are "silent" on professional liability will be accepted. Incidental professional liability will not be accepted.

Policies must have a positive grant of coverage.

Contractor Pollution Liability

The CPL policy must be written on an occurrence form when your policy renews if it is currently on a claims made form. If you purchase occurrence CPL and you previously had claims made coverage, it is required that you either purchase a "tail" from the previous claims made carrier or you obtain a "nose" going back to the original prior carrier's CPL retroactive date.

The mold section of the policy may be written on either an Occurrence form or a Claims Made form. If the mold is on a Claims Made form, the retroactive date must coincide with the start date of your franchise, or the original retroactive or inception date of current mold coverage or the expiration date of your previous occurrence form. It is highly recommended you carry occurrence mold coverage as it is readily available from several environmental carriers currently writing restoration contractors. If you purchase occurrence mold and you previously had claims made coverage, it is required that you either purchase a "tail" from the previous claims made carrier or you obtain a "nose" going back to the original prior carrier's mold retroactive date.

If the CPL or mold is currently or has been written previously, the franchisee warrants that they will provide 3 years of continuous coverage at the expiration of claims made policies, or purchase an extended reporting endorsement for a minimum of 3 years "tail", or if moving to occurrence, provide

“nose” coverage for the previous claims made years back to the original retroactive or inception dates of the claims made policies.

All services offered by the franchise, including remodeling, must be covered.

There shall be no exclusions for losses related to lead, silica, asbestos, or for contaminated drywall.

There shall be no exclusions for viruses and the policy must contain a positive grant of coverage for virus(s).

EIFS may not be excluded for restoration work.

No restriction on the scope of operations usual to a 911 Restoration franchise

Transportation liability for first and third parties shall be included

Coverage for Non owned disposal sites shall be included

There shall be no exclusions for any additions or remodeling projects

There shall be no damage to your work or impaired property exclusion on the CPL

Minimum Limits: \$1,000,000 per occurrence / \$2,000,000 aggregate

Endorsements: 911 Restoration to be added as an additional insured for ongoing operations and completed operations.

Worker’s Compensation & Employer’s Liability

Form: Standard Policy naming states where the contractor is working as a covered State

Minimum Limits: Statutory worker's compensation benefits
Employers' Liability limits of \$1,000,000/\$1,000,000/\$1,000,000

Endorsements: Waiver of Subrogation in favor of 911 Restoration (Franchisor)
Stop Gap as required in Monopolistic states

Additional Insured Endorsement Section **General Liability**

911 Restoration (franchisor), its officers, employees, and agents are added as additional insureds to the general liability and pollution liability insurance as respects to liability arising out of ongoing and completed operations performed by or on behalf of the named insured.

911 Contractor is required to add the franchisor as an additional insured with a 30-day notice of cancellation.

Franchisee is required to add 911 Restoration (franchisor) as an additional insured per ISO form CG 20 29 11 85 or equivalent acceptable to Franchisor.

The commercial general liability coverage for additional insured shall be on a primary and non-contributory basis. The CGL policy shall provide that any insurance maintained by the additional insured is excess and non-contributing with any insurance required herein.

The additional insured endorsement on the CGL policies shall be provided under ISO forms:

CG 20 10 07 04 –or equivalent acceptable to franchisor for ongoing operations

CG 20 37 07 04 or equivalent acceptable to franchisor for completed operations.

All endorsements must be scheduled on the Acord Certificate of Insurance and attached to the certificate for the approval of 911 Restoration.

All policies shall contain a 30-day notice of cancellation.

Automobile Liability

911 Restoration (franchisor) shall be named as an additional insured for the commercial auto policy

Contractor Pollution Liability

Franchisee shall name 911 Restoration (franchisor) as additional insureds. Most additional insured endorsements for CPL offer coverage for ongoing operations only. There must be an additional insured attached for the CPL that provides coverage with a “your work” with respects to he completed operations hazard that is acceptable to the review and approval of 911 Restoration (franchisor).

Follow Form Excess Liability/Umbrella Liability

911 Restoration (franchisor) shall be named as additional insureds under the excess liability policy.

EXHIBIT C
TO THE FRANCHISE DISCLOSURE DOCUMENT
STATE ADDENDA

Each provision of this Addendum shall be effective only if, with respect to each provision, the jurisdictional requirements of a state are met independently, without reference to this Addendum.

CALIFORNIA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department Of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE WWW.911RESTORATIONFRANCHISE.COM HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://WWW.DFPI.CA.GOV).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither we nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in that association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

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

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

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

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

The Franchise Agreement requires binding arbitration. The arbitration will occur in Los Angeles County, California, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

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

HAWAII
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.
2. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.
3. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

ILLINOIS
ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), the Disclosure Document is amended as follows:

1. The Illinois Attorney General’s Office has imposed a bond requirement due to the Franchisor’s financial condition.
2. Notwithstanding anything in the Disclosure Document to the contrary, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the mediation of any claim pursuant to the provisions of Title 9 of the United States Code.
3. Section 705/4 of the Act provides that any provision in the Franchise Agreement which designates venue outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois; however, the Franchise Agreement may provide for mediation or arbitration in a forum outside of Illinois.
4. Notwithstanding the provision of the Franchise Agreement that California law shall govern the Franchise Agreement, Illinois law shall apply to and govern any claim between the parties under the Franchise Agreement that alleges violation of the Act.
5. The conditions under which your franchise can be terminated and your rights upon renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

ILLINOIS
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between 911 Restoration Franchise Inc., as franchisor (“**Franchisor**”), and _____, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. The Illinois Attorney General’s Office has imposed a bond requirement due to the Franchisor’s financial condition
2. Section 705/4 of the Illinois Franchise Disclosure Act of 1987 (the “**Act**”) provides that any provision in the Franchise Agreement which designates venue outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois; however, the Franchise Agreement may provide for mediation or arbitration in a forum outside of Illinois.
3. Illinois law shall apply to and govern any claim between the parties under the Franchise Agreement that alleges violation of the Act.
4. Any provisions of the Franchise Agreement concerning mediation shall be interpreted and construed under the laws of Illinois.
5. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of Illinois.
6. The Act provides rights concerning nonrenewal and termination of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
7. Under the law of Illinois, any condition, stipulation or provision that purports to bind a person acquiring a franchise to waive compliance with the Franchise Disclosure Act of Illinois is void. Accordingly, insofar as the Franchise Agreement requires you to waive your rights under the Illinois franchise law, these requirements are deleted from the Franchise Agreement. This provision will not prevent the Franchisor from requiring you to sign a general release of claims as part of a negotiated settlement of a dispute or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.
8. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.

9. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Addendum.

(Signature Page Follows)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

911 Restoration Franchise Inc.,
A California corporation

By: _____

Name: _____

Its: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Its: _____

INDIANA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. The risk factors listed on the cover page of the Disclosure Document are void under Indiana law.
2. It is unlawful for any franchise agreement entered into between any franchisor and a franchisee who is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana to contain any of the following provisions:
 - a. Provisions requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This paragraph does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.
 - b. Provisions allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee in the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee in a reasonable area.
 - c. Provisions allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.
 - d. Provisions allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.
 - e. Provisions requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by Indiana law or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This paragraph does not apply to arbitration before an independent arbitrator.
 - f. Provisions allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the

time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this paragraph.

- g. Provisions permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the franchise agreement.
 - h. Provisions permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This paragraph shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.
 - i. Provisions requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.
 - j. Provisions limiting litigation brought for breach of the agreement in any manner whatsoever. A choice of forum or law other than that of Indiana is prohibited.
 - k. Provisions requiring the franchisee to participate in any advertising or promotional campaign or contest, or requiring the franchisee to purchase promotional materials or display decorations or materials, if franchisee is required to do so at any expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula. However, such provisions are lawful if the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay to satisfy the provisions.
 - l. Provisions requiring a franchisee to enter into an agreement providing the franchisor with any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or materials provided by the franchisor or by the franchisor's negligence.
 - m. Provisions requiring a franchisee to enter into an agreement reserving the right to injunctive relief and any specific damages to the franchisor, limiting the remedies available to either party without benefit of appropriate process or recognizing the adequacy or inadequacy of any remedy under the agreement.
3. It is unlawful for any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana to engage in any of the following acts and practices in relation to the agreement:
- a. Coercing the franchisee to:
 - (i) Order or accept delivery of any goods, supplies, inventories, or services which are neither necessary to the operation of the franchise, required by the franchise agreement, required by law, nor voluntarily ordered by the franchisee.

- (ii) Order or accept delivery of any goods offered for sale by the franchisee which includes modifications or accessories which are not included in the base price of those goods as publicly advertised by the franchisor.
 - (iii) Participate in an advertising campaign or contest, any promotional campaign, promotional materials, display decorations, or materials at an expense to the franchisee over and above the maximum percentage of gross monthly sales or the maximum absolute sum required to be spent by the franchisee provided for in the franchise agreement, in the absence of such provision for required advertising expenditures in the franchise agreement, no such participation may be required; or
 - (iv) Enter into any agreement with the franchisor or any designee of the franchisor, or do any other act prejudicial to the franchisee, by threatening to cancel or fail to renew any agreement between the franchisee and the franchisor. Notice in good faith to any franchisee of the franchisee's violation of the terms or provisions of a franchise or agreement does not constitute a violation of this paragraph.
- b. Refusing or failing to deliver in reasonable quantities and within a reasonable time after receipt of an order from a franchisee for any good, supplies, inventories, or services which the franchisor has agreed to supply to the franchisee, unless the failure is caused by acts or caused beyond the control of the franchisor.
 - c. Denying the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise.
 - d. Establishing a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or if no exclusive territory is designated, competing unfairly with the franchisee within a reasonable area. However, a franchisor shall not be considered to be competing when operating a business either temporarily for a reasonable period of time, or in a bona fide retail operation which is for sale to any qualified independent person at a fair and reasonable price, or in a bona fide relationship in which an independent person has made a significant investment subject to loss in the business operation and can reasonably expect to acquire full ownership of such business on reasonable terms and conditions.
 - e. Discriminating unfairly among its franchisees or unreasonably failing or refusing to comply with any terms of a franchise agreement.
 - f. Obtaining money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

- g. Increasing prices of goods provided by the franchisor which the franchisee had ordered for retail consumers prior to the franchisee's receipt of a written official price increase notification. Price increases caused by conformity to a state or federal law, the revaluation of the United States dollar in the case of foreign-made goods or pursuant to the franchise agreement are not subject to this paragraph.
 - h. Using deceptive advertising or engaging in deceptive acts in connection with the franchise or the franchisor's business.
- 4. The franchisee does not waive any right under Indiana statutes with regard to prior representations made in the Disclosure Document.
- 5. Each provision of the franchise documents which is unlawful pursuant to Indiana's franchise laws is amended to conform with said law.
- 6. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Indiana law are met independently without reference to this Addendum to Disclosure Document.

MARYLAND
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. The Summary section of Item 17(c) entitled “**Requirements for you to Renew or Extend**” and the Summary section of Item 17(l) entitled “**Our Approval of Transfer**” are amended by adding the following:

“Any general release you sign as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. The Summary section of Item 17(v) entitled “**Choice of Forum**” are amended by adding the following:

“You may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

3. The Summary section of Item 17(h) entitled “**Cause Defined Non-curable Defaults**” is amended by adding the following:

“Termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. §101 et. seq.).”

4. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Any provisions of the Franchise Agreement or Franchise Compliance Certificate which require a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

MARYLAND
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between **911 RESTORATION FRANCHISE INC.**, a California corporation, as franchisor and _____, as Franchisee. Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. **Section 4.3.4 of the Franchise Agreement** is amended by the addition of the following language to the original language that appears therein:

“Any general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. Any provision requiring Franchisee to bring an action against Franchisor in any state other than Maryland shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law. Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. All claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of a franchise.

3. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Any provisions which require a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.

5. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Franchise Law are met independently without reference to this Addendum.

(Signature Page Follows)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

911 Restoration Franchise Inc.,
A California corporation

By: _____

Name: _____

Its: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Its: _____

**MICHIGAN
ADDENDUM TO DISCLOSURE DOCUMENT**

The following disclosures are required by the State of Michigan:

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

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

- A. A prohibition on the right of a franchisee to join an association of franchisees.
- B. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- C. A provision that permits a franchisor to terminate a franchise prior to the expiration of this term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice and a reasonable opportunity, which will not be more than 30 days, to cure such failure.
- D. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- E. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- F. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- G. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

1) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

2) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

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

4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

I. A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless a provision has been made for providing the required contractual services.

2. If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00 the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

3. THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENFORCEMENT BY THE ATTORNEY GENERAL. Any questions regarding this notice should be direct to:

Michigan Department of Attorney General
Consumer Protection Division
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa
Lansing, MI 48933
(517) 373-7117

MINNESOTA
ADDENDUM TO DISCLOSURE DOCUMENT

In accordance with the requirements of the state of Minnesota the following disclosure should be read in conjunction with the Disclosure Document. Any inconsistency with the information contained in the Disclosure Document will be resolved in favor of this Minnesota Addendum.

1. Item 13 **“Trademarks”** is amended by adding the following:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any of your costs incurred in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and are given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17 **“Renewal, Termination, Transfer and Dispute Resolution”** is amended by adding the following:

A. **Renewal and Termination**

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Agreement.

B. **Choice of Forum**

Nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

C. **Releases**

A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.22.

MINNESOTA
ADDENDUM TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement (“Agreement”) agree as follows:

1. Section 4.1 “**Initial Term**”, shall be supplemented by the following new paragraph:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Agreement.

2. Section 4.2 “**Renewal Right**”, shall be supplemented by the following new paragraph:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Agreement.

3. Section 7 “**Proprietary Marks**” shall be supplemented by the following new paragraph:

As required by Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee’s right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

4. Section 16 “**Default and Termination**” shall be supplemented by the following new paragraph:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.

5. Section 15.2 “**Assignment by Franchisee**” shall be supplemented by the following new sentence:

“A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.”

6. Section 19.17 "**Governing Law**" (regarding choice of forum), shall be supplemented by the following:

"Nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

911 Restoration Franchise Inc.,
A California corporation

By: _____

Name: _____

Its: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Its: _____

NEW YORK
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATION PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from

membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NEW YORK
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between 911 Restoration Franchise Inc., as franchisor (“**Franchisor**”) and _____, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

The parties to the Franchise Agreement hereby acknowledge and agree that:

1. To the extent required by applicable law, all rights the franchisee enjoys and any causes of action arising in the franchisee’s favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
2. The franchisee may terminate the Franchise Agreement on any grounds available by law.
3. Irrespective of any rights granted to the franchisor to assign the Franchise Agreement, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.
4. No choice of law or choice of forum provision in the Franchise Agreement should be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.
5. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.
6. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

(Signature Page Follows)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

911 Restoration Franchise Inc.,
A California corporation

By: _____

Name: _____

Its: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Its: _____

NORTH DAKOTA
ADDENDUM TO DISCLOSURE DOCUMENT

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

1. Item 5 of the Disclosure Document is amended to provide as follows: Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business pursuant to the Franchise Agreement.
2. Item 17(c) “**Requirements for Franchisee to Renew or Extend**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which requires the franchisee to sign a general release upon renewal of the Franchise Agreement is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”
3. Item 17(r) “**Non-competition Covenants**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement restricting competition is contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust or inequitable within the intent of Section 51-09-09 of the North Dakota Franchise Investment Law”.
3. Item 17(u) “**Dispute Resolution**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which provides that the parties agree to an arbitration or mediation of disputes which place at a location that is remote from the site of Franchisee’s business is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”
4. Item 17(v) “**Venue**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.”
5. Item 17(w) “**Governing Law**” is amended to provide as follows: “Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”

NORTH DAKOTA
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between 911 Restoration Franchise Inc., as franchisor (“**Franchisor**”) and _____, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

The parties to the attached Franchise Agreement hereby agree as follows:

1. Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business pursuant to the Franchise Agreement.
2. Any provision in the Franchise Agreement requiring the Franchisee to consent to a waiver of exemplary and punitive damages is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
3. In North Dakota, provisions of the Franchise Agreement which unreasonably limit the statute of limitations or remedies under the North Dakota Franchise Investment Law, such as the right to jury trial, may not be enforceable.
4. Provisions of the Franchise Agreement requiring the Franchisee to consent to liquidated damages or termination penalties, requiring the Franchisee to consent to a limitation of claims or requiring the Franchisee to pay all of Franchisor’s costs and expenses incurred in enforcing the agreement may not be enforceable under North Dakota law.
5. Provisions of the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Provisions of the Franchise Agreement which provide that the parties agree to arbitration or mediation of disputes at a location that is remote from the site of Franchisee’s business is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Provisions of the Franchise Agreement which designate jurisdiction or venue or require the Franchisee to agree to jurisdiction or venue in a forum outside of North Dakota are void with respect to any cause of action which is otherwise enforceable in North Dakota.
8. Provisions of the Franchise Agreement requiring a franchisee to sign a general release upon the renewal of the Franchise Agreement are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

9. Provisions of the Franchise Agreement restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust or inequitable within the intent of Section 51-09-09 of the North Dakota Franchise Investment Law.
10. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.
11. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

911 Restoration Franchise Inc.,
A California corporation

By: _____

Name: _____

Its: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Its: _____

RHODE ISLAND
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. The following language is added to Item 17(v) entitled “**Choice of Forum**”:

“A provision of a franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of any state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.”

2. The following language is added to Item 17(w) entitled “**Choice of Law**”:

“A provision of a franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of any state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.”

RHODE ISLAND
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between 911 Restoration Franchise Inc., as franchisor (“**Franchisor**”) and _____, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

In recognition of the requirements of the Rhode Island Franchise Investment Act (Section 19-28.1-14), the parties to the Franchise Agreement agree as follows:

1. Any provision of the Franchise Agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of any state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.
2. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.
3. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

911 Restoration Franchise Inc.,
A California corporation

By: _____

Name: _____

Its: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Its: _____

SOUTH DAKOTA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

Notwithstanding any provision in the Franchise Agreement that provides for a covenant not to compete upon termination or expiration of the Franchise Agreement, such covenants are generally unenforceable in the State of South Dakota, except in certain instances provided by law. Notwithstanding any provision in the Franchise Agreement that provides for arbitration in a state other than South Dakota, under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with § 11 of the Commercial Arbitration Rules of the American Arbitration Association.

Notwithstanding any provision in the Franchise Agreement that designates any law other than the laws of the State of South Dakota as the governing law, or that specifies that any provision in the Franchise Agreement is to be construed under any law other than the laws of the State of South Dakota, Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota. Contractual and all other matters will be subject to application, construction, enforcement, and interpretation under the governing law specified by the Franchise Agreement.

Under South Dakota law, any provision in a Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions contained in the Disclosure Document and Franchise Agreement covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make management service fee payments, must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination. Under SDL 37-5B-21, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void.

Any acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

VIRGINIA
ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. Any references in Items 5 and 17 of the Disclosure Document which provide that the Franchise Agreement may be terminated for any reason are in violation of Section 13.1-564 of the Virginia Retail Franchising Act and are unenforceable.
2. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or other agreements does not constitute “reasonable cause” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

VIRGINIA
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “**Addendum**”) dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated _____, by and between 911 Restoration Franchise Inc., as franchisor (“**Franchisor**”) and _____, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

The undersigned hereby acknowledge and agree that:

1. Any references in the Franchise Agreement which provide that the Franchise Agreement may be terminated for any reason are in violation of Section 13.1-564 of the Virginia Retail Franchising Act and are unenforceable.
2. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.
3. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

911 Restoration Franchise Inc.,
A California corporation

By: _____

Name: _____

Its: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Its: _____

WASHINGTON
ADDENDUM TO DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

[Signatures on following page]

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20_____.

FRANCHISOR

FRANCHISEE

This addendum may also be used as a rider to the Franchise Disclosure Document.

EXHIBIT D
TO THE FRANCHISE DISCLOSURE DOCUMENT
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2021

NAME	ADDRESS	PHONE NUMBER	TERRITORY
Elton Riley	1005 8 th Avenue Midfield, Alabama 35228	(205) 527-3515	Alabama- Birmingham
Jarom Mann	130 West Hampton Ave, Unit 2 Mesa, Arizona 85210	(805) 680-5575	Arizona- Mesa
Rocky Dunn	8900 North Central, Suite 103 Phoenix, Arizona 85020	(602) 410-3580	Arizona- Phoenix
Phillip Reese (x2)	23439 N 35th Dr Suite 5 Glendale, AZ 85310	(858) 255-0383	Arizona- Glendale
Chad Haynes (x2)	1330 Nabholz Ave, Suite #1 Conway, AR 72034	(501) 581-7232	Arkansas- Conway Arkansas- Little Rock
Mihran Hovhannisyan (x2)	5833 Tobias Avenue Sherman Oaks, CA 91411		California – Antelope Valley California – Santa Clarita Valley
Eliezer Cabral	4830 Burr St, Unit D Bakersfield, CA 93308	(646) 578-2632	California- Bakersfield
Keith Goodman (x3)	3459 La Grande Boulevard Sacramento, CA, 95823	(916) 317-1117	California- Elk Grove California- Stockton
Joe Parra	303 Quail Run Drive El Centro, CA 92243	(760) 562-7778	California – Imperial County
Doron Waldman	1020 N Batavia St. Suite P Orange, CA 92867	(562) 335-5965	California – Orange County
Roni Dahar (x11)	4174 Sorrento Valley Blvd H San Diego, California 92121	(858) 805-5862	California - San Diego
Erez Gilad (x22)	4175 Lakeside Dr. Suite 120 Richmond, California 94806	(510) 860-8266	California - San Francisco California- San Jose
Jeff Powell	1785 Day Valley Road Aptos, California 95003	(831) 535-2357	California – Santa Cruz
Ophir Levin	4141 State St. Unit C4.4 Santa Barbara, CA 93110	(805) 636-6132	California- Santa Barbara
Daniel Gradus	61 Woodstock Street Hartford, Connecticut 06112	(646) 417-4254	Connecticut- New Haven
Daniel Gradus	61 Woodstock Street Hartford, Connecticut 06112	(646) 417-4254	Connecticut- New Haven
Lon L'Heureux	2544 Cowley Dr Lafayette, CO 80026	(720) 935-7366	Colorado- Boulder
Adam Levy	5416 Brixham Court Burke, Virginia 22015	(202) 239-9792	District of Columbia
Tomas Lelczak	3610 Lake Underhill Road	(407) 242-4797	Florida- Orlando

NAME	ADDRESS	PHONE NUMBER	TERRITORY
(x38)	Orlando, Florida 32803 13713 Lazy Oak Drive, #7 Tampa, Florida 33613 4720 Portofino Way, Suite 301 West Palm Beach, Florida 33409 10730 NW 53rd Street Sunrise, Florida 33351	 (954) 274-3325 (954) 274-3325 (954) 274-3325	 Florida- Tampa Florida- West Palm Beach Florida- Miami
Joseph Larry McQueeney	5366 Oxford Crest Dr. Jacksonville, FL 32258	(904)233-7543	Florida- Jacksonville
David Burns	9211 Fowler Ave Pensacola. FL 32534	(901) 601-0572	Florida- Pensacola
Mona Morsi (x2)	1910 Cauley Ave., Panama City Beach, FL 32407	(850) 774-3870	Florida- Panama City Beach
Trevor Glenn (x3)	825 Jamerson Road, Suite 205 Marietta, GA 30066	(214) 476-4751	Georgia- Marietta
Nichoel Gabriele	1353 Park Ave Des Moines, IA 50315	(515) 525-5589	Iowa- Des Moines
Michael Martin	16091 South Summertree Lane Olathe, Kansas 66062	(913) 227-4578	Kansas- Kansas City Metro
Ronne Mantzur	9142 Terminal Ave Skokie, Illinois 60077	(847) 704-0944	Illinois- Chicago
Alex Peters	228 Hawk Dr. Green Valley IL, 61534	(309) 750-0059	Illinois- Peoria
Rick Zigler	8571 Scarsdale Drive, #E Indianapolis, Indiana 46256	(317) 695-1601	Indiana- Indianapolis
Jay Germain (x2)	17309 Brookmeadow lane Upper Marlboro, MD 20772	(301) 557-0471	Maryland- Upper Marlboro
Darius Stokes	10593 Jack Pine Ln Waldorf, MD 20603	(240) 412-6960	Maryland- Waldorf
Rohan Virsawmi	1700 Hartsdale Rd. Baltimore, MD 21239	(917) 217-6448	Maryland- Baltimore
John DeSantis (x2)	12 Mt. Carmel Road Parkton, MD 21120	(410) 812-1463	Maryland- Parkton
John Campbell	124 Cresant Road Needham, Massachusetts, 02494	(617) 631-8450	Massachusetts- Needham
Harpreet Kaur	37254 Ford Road Westland, Michigan 48185	(248) 246-8020	Michigan- Metro Detroit
Karmbir Singh	1053 Abbey Rd. Monroe, MI 48161	(734) 558-3151	Michigan- Monroe
Jared Reese / Richard Vasquez	4725 Highway 7, St. Louis Park, Minnesota 55416	(763) 496-8340	Minnesota- Minneapolis

NAME	ADDRESS	PHONE NUMBER	TERRITORY
Richard Sims	144 Fieldstone Lane Madison, Mississippi 39110	(601) 707-5463	Mississippi- Jackson
Spencer Bingham	8561 Pinellia Ct. Las Vegas, NV 89149	(702) 858-8006	Nevada- Las Vegas
Christopher Poulin	4583 Longley Lane Reno, NV, 89502	(775) 203-4750	Nevada- Reno
Adi Schwartz	320 Washington Street Hackensack, New Jersey 07601	(201) 923-5602	New Jersey- North New Jersey New Jersey- Central New Jersey
Douglas & Therese Cooper	13 Sandia Street, Moriarty, New Mexico 87035	(505) 269-6714	New Mexico
Adi Schwartz	357 46 th Street Brooklyn, NY 11220	(201) 923-5602	New York- Brooklyn
	320 Washington Street Hackensack, New Jersey 07601	(201) 923-5602	New York- Manhattan
Daniel Gradus	500 Executive Blvd. Elmsford, New York 10523	(646) 417-4254	New York- Nassau County New York- Westchester
Tim Crane	601 Circle Trace Road Monroe, North Carolina 28110	(704) 651-5310	North Carolina -Charlotte
Ray Strickland	5843 Ramsey St. Fayetteville, NC. 28311	(910) 689-6459	North Carolina- Fayetteville
David Howard	120 Tiercel Ct. Cary, NC. 27518	(919) 271-0887	North Carolina- Raleigh
Joseph Epperson (x3)	5407 Tory Hill Dr Greensboro, NC 27410	(336) 580-4037	North Carolina- Greensboro North Carolina- Durham North Carolina- Winston-Salem
Rick Goss	276 Cooper Farm Rd Statesville, NC 28625	(980) 759-3116	North Carolina- Statesville
Robert Thompson	972 Youngstown Kingsville Rd. SE, Suite G Vienna, OH 44473	(330) 509-4071	Ohio- Youngstown
Michael Manlandro (x4)	838 W Will Rogers Blvd Claremore, OK 74017, USA	(918) 639-3528	Oklahoma- Tulsa Oklahoma- Oklahoma City
Yoav Gueron (x9)	15705 SE McLoughlin Blvd Portland, Oregon 97267	(503) 990-3499	Oregon- Portland
Robert Thompson	972 Youngstown Kingsville Rd. SE, Suite G Vienna, OH 44473	(330) 509-4071	Pennsylvania- Pittsburgh
David McQueeney	12 Kensington Dr. Charleston, SC. 29407	(843) 830-5468	South Carolina- Charleston
David Burns / James Quinn	2244 Wood Creek Drive Germantown, Tennessee 38138	(901) 601-0572	Tennessee

NAME	ADDRESS	PHONE NUMBER	TERRITORY
Rodney Bell	10176 Whitcomb Ln Cordova, TN 38016	(901) 550-7194	Tennessee- Memphis
Patrick Jones	8115 East Brainerd Road, Suite 100 Chattanooga TN	(423) 421-2625	Tennessee- Chattanooga
Eric Singh (x2)	4111 NW Highway 80 Ste 203 Mesquite, TX, 75150	(817) 495-7076	Texas- East Dallas
Christopher Grimet	4704 Lake Drive Rosharon, TX 77583	(979) 549-8236	Texas- Houston
Jesus Cardinas (x2)	10415 Perrin Beitel, #102 San Antonio, Texas 78217	(512) 506-0286	Texas- San Antonio Texas- Austin
Yoav Gueron (x4)	3690 South 500 West Suite# 106 Salt Lake City, UT, 84115	(801)574-9861	Utah- Salt Lake City
Adam Levy	5416 Brixham Court Burke, Virginia 22015	(202) 239-9792	Virginia- Alexandria
Hank Miller / Jay Mbainjewel	5660 E. Virginia Beach Blvd., Suite 201 Norfolk, Virginia 23502	(757) 513-5189	Virginia- Hampton Roads
Damarris Yuille	534 Elizabeth Lake Dr. Hampton, VA 23669	(757) 871-8691	Virginia- Newport News
Richard & Jarcelyn Snyder (x2)	4222 Fortuna Center Plaza #260 Dumfries, VA 22025	(703) 906-5365	Virginia- Woodbridge
Sagiv Winer	515 116 Ave NE Suite 140 Bellevue, Washington 98004	(425) 638-2655	Washington- Seattle

NOTE: Several of our franchisees were renewed in 2017 which resulted in the split of several territories in to multiple franchise agreements.

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

**LIST OF FRANCHISEES WHO HAVE SIGNED AN AGREEMENT BUT WERE NOT OPEN AS OF
DECEMBER 31, 2021**

NAME	ADDRESS	PHONE NUMBER	TERRITORY
Yaniv Kaminski	1026 N. Edinburgh Ave., Apt. 9 West Hollywood, CA 90046	(424) 202-1534	Glendale/Burbank
Carlos Garcia	3750 Main St, Unit 412 Riverside, CA 92501	(818) 425-8419	Inland Empire
Mark Peel	42580 Morningside Ct. Hemet CA 92544	(951) 236-9558	Temecula
Andrew Clarke	3913 N 207th St. Elkhorn, NE 68022	(402) 939-9043	South Denver
Heather Oelkers	507 S Tiburon	(208) 954-1760	Boise

NAME	ADDRESS	PHONE NUMBER	TERRITORY
	Meridian ID 83642		
Patrick McDonough	2197 Chancery Dr. Troy, MI 48085	(248) 914-7488	Detroit North
Joseph Vallade	20201 Arthur Rd. Big Rapids, MI 49307	(231) 287-6076	Grand Rapids
Donte Stewart	307 Cleveland Ave NW, Suite 102 Canton OH 44702	(330) 354-9549	Akron/Canton
Marco Orsini	2508 Timber Crest Ln. Highland Village, TX 75077	(469) 951-9699	Denton County
Luther Anderson	529 Franklin Street Clarksville TN 37040	(931) 627-1432	Nashville
Tony Holm	219 Lilac Dr., #7380 Star Valley Ranch, WY 83127	(307) 413-8285	West Wyoming

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

**LIST OF FRANCHISEES WHO HAD AN OUTLET TERMINATED, NOT RENEWED,
REACQUIRED BY FRANCHISOR, OR CEASED OPERATIONS FOR OTHER REASONS
AS OF DECEMBER 31, 2021**

NAME	CITY	STATE	PHONE NUMBER
Rocky Dunn (Transfer)	Phoenix	AZ	(602) 410-3580
Zack Cohen	Los Angeles	CA	(818) 402-4221
Cornel Lacatus	Ventura and Riverside	CA	(951) 880-5003
Barry Wright	Atlanta	GA	(404) 557-8467
Travis Wood	Macon	GA	(478) 719-5470
Brad Turner	Lansing	KS	(913) 915-5900
Brian Hernandez	Jefferson County Metro East	IL MO	(314) 605-1790
John Fowler	Southern Illinois St. Louis	IL MO	(618) 925-0085
Jacob & Robert Lafontaine	New Hampshire	NH	(603) 557-1613
Rick Philbrick	Cleveland	OH	(440) 387-4701
Michael Richardson	Rhode Island	RI	(401) 413-3339
Kfri Eliyahu	Arlington	TX	(817) 617-4433
Zack Goldman (x16)	Fort Worth	TX	(386) 882-5241
Eli Elkayam (x16)	Houston	TX	(281) 831-9803

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

EXHIBIT E
TO THE FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

911 RESTORATION FRANCHISE, INC.

FINANCIAL REPORT
AS OF DECEMBER 31, 2021



911 RESTORATION FRANCHISE, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Balance Sheets	4
Statements of Operations	5
Statements of Changes in Stockholders' Equity (Deficit)	6
Statements of Cash Flows	7
Notes to Financial Statements	8



Independent Auditor's Report

To the Stockholders
911 Restoration Franchise, Inc.
Van Nuys, California

Report on the Financial Statements

We have audited the accompanying financial statements of 911 Restoration Franchise, Inc. which comprise the balance sheets as of December 31, 2021, and 2020 and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for the years ended December 31, 2021, 2020 and 2019 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of 911 Restoration Franchise, Inc. as of December 31, 2021 and 2020 and the results of its operations and its cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

Reese CPA LLC

Thornton, Colorado
April 13, 2022

15953 Fillmore Street • Thornton, CO 80602
Office: (303) 999-6485 • Fax (303) 284-5041

911 RESTORATION FRANCHISE, INC.
BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	\$ 1,899,270	\$ 1,573,801
Accounts receivable	1,280,893	1,302,855
Prepaid expense	1,350	1,350
TOTAL CURRENT ASSETS	<u>3,181,513</u>	<u>2,878,006</u>
NON-CURRENT ASSETS		
Property and equipment	37,161	44,302
Assets held for sale	63,000	17,500
TOTAL ASSETS	<u><u>\$ 3,281,674</u></u>	<u><u>\$ 2,939,808</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT):		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,152,722	\$ 240,711
Customer deposits	40,000	75,000
Current portion of non-refundable deferred franchise fees	378,146	672,140
Current portion of long-term debt	304,507	620,803
TOTAL CURRENT LIABILITIES	<u>1,875,375</u>	<u>1,608,654</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	3,082,845	3,371,422
Non-refundable deferred franchise fees	740,593	582,947
TOTAL LIABILITIES	<u>5,698,813</u>	<u>5,563,023</u>
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock	100	100
Undistributed earnings	1,713,659	1,418,474
Due from related parties	(230,898)	(141,789)
	<u>1,482,861</u>	<u>1,276,785</u>
Less treasury stock	(3,900,000)	(3,900,000)
TOTAL STOCKHOLDER'S EQUITY (DEFICIT)	<u>(2,417,139)</u>	<u>(2,623,215)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u><u>\$ 3,281,674</u></u>	<u><u>\$ 2,939,808</u></u>

The accompanying notes are an integral part of these financial statements.

911 RESTORATION FRANCHISE, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES			
Franchise fees	\$ 1,085,875	\$ 676,675	\$ 491,776
Royalty fees	6,212,506	4,591,283	4,055,636
Service fees	5,186,588	7,662,165	659,548
Equipment and supply sales	250,821	95,428	123,853
Other revenue	-	35,750	406,698
TOTAL REVENUES	<u>12,735,790</u>	<u>13,061,301</u>	<u>5,737,511</u>
COST OF GOODS AND SERVICES SOLD	<u>6,198,404</u>	<u>8,113,968</u>	<u>672,155</u>
GROSS PROFIT	6,537,386	4,947,333	5,065,356
OPERATING EXPENSES			
Payroll and related costs	2,156,657	1,806,878	1,371,227
General and administrative	1,763,143	1,353,538	761,335
Professional fees	490,015	441,700	# 741,353
Franchise development costs	980,761	543,314	609,989
Depreciation and amortization	1,726	7,373	15,000
TOTAL OPERATING EXPENSES	<u>5,392,302</u>	<u>4,152,803</u>	<u>3,498,904</u>
OPERATING INCOME	1,145,084	794,530	1,566,452
OTHER INCOME (EXPENSE)			
Other income	479,441	99,456	-
Interest income	13,156	481	2,864
Interest expense	(227,392)	(78,908)	(49,458)
TOTAL OTHER INCOME (EXPENSE)	<u>265,205</u>	<u>21,029</u>	<u>(46,594)</u>
NET INCOME	<u><u>\$ 1,410,289</u></u>	<u><u>\$ 815,559</u></u>	<u><u>\$ 1,519,858</u></u>

The accompanying notes are an integral part of these financial statements

911 RESTORATION FRANCHISE, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	<u>Common Stock</u>	<u>Undistributed Earnings</u>	<u>Stockholders' Equity Before Treasury Stock</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
BALANCE, DECEMBER 31, 2018	\$ 100	\$ 509,946	\$ 510,046	\$ -	\$ 510,046
Distributions to shareholders	-	(525,789)	(525,789)	-	(525,789)
Net income	-	1,519,858	1,519,858	-	1,519,858
BALANCE, DECEMBER 31, 2019	100	1,504,015	1,504,115	-	1,504,115
Purchase of treasury stock	-	-	-	(3,900,000)	(3,900,000)
Adoption of new revenue standard	-	(208,596)	(208,596)	-	(208,596)
Distributions to shareholders	-	(692,504)	(692,504)	-	(692,504)
Net income	-	815,559	815,559	-	815,559
BALANCE, DECEMBER 31, 2020	100	1,418,474	1,418,574	(3,900,000)	(2,481,426)
Distributions to shareholders	-	(1,115,104)	(1,115,104)	-	(1,115,104)
Net income	-	1,410,289	1,410,289	-	1,410,289
BALANCE, DECEMBER 31, 2021	<u>\$ 100</u>	<u>\$ 1,713,659</u>	<u>\$ 1,713,759</u>	<u>\$ (3,900,000)</u>	<u>\$ (2,186,241)</u>

The accompanying notes are an integral part of these financial statements.

911 RESTORATION FRANCHISE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 1,410,289	\$ 815,559	\$ 1,519,858
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,726	7,373	15,000
Forgiveness of paycheck protection program loan	(300,000)		
Recognition of non-refundable deferred franchise fees	(1,215,348)	(688,170)	-
Write down of accounts receivable	94,425	157,241	150,645
Gain on asset disposal	(10,555)		
Change in assets and liabilities:			
Accounts receivable	(72,463)	(379,748)	(215,992)
Accounts payable and accrued expenses	912,011	12,788	(658,621)
Customer deposits	(35,000)	75,000	-
Non-refundable deferred franchise fees	1,079,000	1,074,000	301,558
Net cash provided by operating activities	<u>1,864,085</u>	<u>1,074,043</u>	<u>1,112,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	-	(39,620)	-
Purchase of assets held for sale	(45,500)	-	(10,000)
Net cash (used) in investing activities	<u>(45,500)</u>	<u>(39,620)</u>	<u>(10,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	-	3,993,397	-
Purchase of treasury stock	-	(3,900,000)	-
Distributions to stockholders	(1,107,646)	(692,504)	(525,789)
Repayments of long-term debt	(296,361)	(181,040)	(117,351)
Advances to related parties	(89,109)	(91,789)	-
Net cash (used) in financing activities	<u>(1,493,116)</u>	<u>(871,936)</u>	<u>(643,140)</u>
NET INCREASE (DECREASE) IN CASH	<u>325,469</u>	<u>162,487</u>	<u>459,308</u>
CASH, beginning of year	<u>1,573,801</u>	<u>1,411,314</u>	<u>952,006</u>
CASH, end of year	<u><u>\$ 1,899,270</u></u>	<u><u>\$ 1,573,801</u></u>	<u><u>\$ 1,411,314</u></u>

The accompanying notes are an integral part of these financial statements.

**911 RESTORATION FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

911 Restoration Franchise, Inc. (“the Company”) was formed as a California Corporation on March 15, 2007. The Company offers franchises for the right to operate 911 Restoration emergency response service businesses which provide emergency clean-up from fire damage, water damage, mold damage and mold inspections, carpet cleaning, duct cleaning and crawl space cleaning within a certain geographic area.

Affiliates

The Company has 4 affiliates: Milestone SEO, Inc., (“**Milestone**”), 911 Restoration Enterprises, Inc. (“**911 Enterprises**”), 911 Restoration, Inc. (“**911 Dallas**”) and 911 Restoration Franchise Canada Inc. (“**911 Canada**”). Milestone is a California corporation that was incorporated on November 19, 2008. Milestone supplies internet advertising services to our franchisees. 911 Enterprises is a California corporation that was incorporated on March 13, 2003. 911 Enterprises owned one business of the type being franchised from March 2003 until December 2012 when it sold the business to a franchisee. 911 Dallas is a Texas corporation that was incorporated on May 13, 2008. 911 Dallas owned one business of the type being franchised in Dallas, Texas from May 2008 until May 2013. 911 Canada was incorporated in the Canada British Columbia on October 13, 2019 and sells franchises exclusively in the Nation of Canada and does not and has not offered franchises in the United States.

Outlets in Operation

Changes in the number of operating outlets for the years ended December 31, 2021, 2020 and 2019 consist of the following:

	2021	2020	2019
Outlets in operation, beginning	213	177	150
Outlets opened	50	49	39
Outlets terminated or closed	(23)	(13)	(12)
Outlets in operation, ending	<u>240</u>	<u>213</u>	<u>177</u>
Franchised Outlets	237	210	174
Affiliate owned Outlets	3	3	3

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

**911 RESTORATION FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

Preparation of the Company's financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less at the date of purchase to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2021, and 2020.

Accounts Receivable

Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. Management evaluates individual customer's receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not record an allowance for uncollectible accounts at December 31, 2021, and 2020. Bad debt expense and accounts receivable written off was \$94,425, \$157,241 and \$150,645 for the years ended December 31, 2021, 2020 and 2019, respectively.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally five to seven years).

Assets Held for Sale

Assets held for sale consist of franchise rights acquired.

**911 RESTORATION FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition, Non-refundable Deferred Franchise Fees and Franchise Acquisition Assets

The Company recognizes revenues under the guidance of ASC 606, "Contracts with Customers". The Company's revenue is principally generated through franchise agreements executed with the Company's franchisees.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a qualified party purchases a 911 Restoration franchise, the Company grants the franchisee the right to operate the franchised business in a designated territory and to use the proprietary methods, techniques, trade dress, trademarks, and logos ("symbolic intellectual property" or "IP"). Revenues related to the designated territory and IP are continuing monthly royalty fees are defined in the franchise agreement and vary by the type of franchise purchased, the type of service rendered, by the number of years in the franchise system and gross sales volume. The percentage of gross revenue charged for restoration services vary between 2% and 10%. The percentage of gross revenue charged for non-restoration services vary between 1% to 3%. Revenue from continuing monthly royalty fees is billed monthly and is recognized as revenue when earned. These revenues will be used to continue the development of the Company's brand, the franchise system and provide on-going support for the Company's franchisees.

Revenue from initial franchise fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory rights and symbolic intellectual property. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin or fair market value approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Unearned initial fee revenues will be recorded as non-refundable deferred revenue. Commissions and other direct costs related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as expense when the related performance obligation has been satisfied.

Service Fee Revenue

Revenue from restoration emergency response national accounts services is billed by the Company to the customers of the franchisee. The revenue and the amount of the revenue due to the franchisee is recognized as revenue and expense upon the completion and acceptance of the services by the franchisee's customer.

Income Taxes

The Company has elected to be treated as Sub Chapter S corporation for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of its stockholders and no provision for federal or state income taxes has been recorded in the accompanying balance sheet.

The Company adopted ASC 740-10-25-6 "Accounting for Uncertainty in Income Taxes", that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold upon examination by taxing authorities.

**911 RESTORATION FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Income Taxes (continued)

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

Advertising

The Company expenses advertising costs as incurred. Advertising costs expensed were \$699,822, \$320,632 and \$329,994 for the years ended December 31, 2021, 2020, and 2019.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, franchise receivables. The Company places its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

Recently Adopted Accounting Guidance

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). Management has not yet determined the effect of the adoption of the other recently issued ASUs, including those not yet effective, could have on the financial position or results of operations of the Company.

**911 RESTORATION FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – CONTRACTS WITH CUSTOMERS

The Company has recognized an asset for the incremental costs and recorded a liability for unearned revenue associated with franchisee acquisition and acceptance performance obligation of the Company's franchise agreement. The account balances and activity are as follows:

	December 31,	
	2021	2020
Deferred Non-refundable Franchise Fees:		
Balance Beginning of year	\$ 1,255,087	\$ 660,660
Implementation of new revenue standard	-	208,596
Deferral of non-refundable franchise fees	1,079,000	1,044,000
Recognition of non-refundable franchise fees	(1,215,348)	(658,169)
Balance at End of Year	<u>\$ 1,118,739</u>	<u>\$ 1,255,087</u>

Estimated Recognition of Non-refundable Deferred Franchise Fees and Franchise Acquisition Costs

Estimated revenues and franchise acquisition costs to be recognized in future periods related to non-refundable deferred franchise fees as reported at December 31, 2021, is as follows:

	Non-refundable Franchise Fees
Year ending December 31:	
2022	\$ 378,146
2023	187,650
2024	169,208
2025	137,846
2026	118,559
Thereafter	127,330
	<u>\$ 1,118,739</u>

Disaggregation of Revenues

Disaggregated revenues based on the satisfaction of performance obligations in the Company's contracts with franchisees for the years ended December 31, 2021, and 2020 is as follows:

	2021	2020
Performance obligations satisfied at a point in time	\$ 6,112,936	\$ 8,311,849
Performance obligations satisfied through the passage of time	6,622,854	4,749,452
Total revenues	<u>\$ 12,735,790</u>	<u>\$ 13,061,301</u>

**911 RESTORATION FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - PROPERTY AND EQUIPMENT

At December 31, property and equipment consists of the following:

	2021	2020
Equipment and furniture	\$ 86,683	\$ 86,683
Vehicles	39,620	104,604
	<u>126,303</u>	<u>191,287</u>
Less accumulated depreciation	(89,142)	(146,985)
	<u>\$ 37,161</u>	<u>\$ 44,302</u>

Depreciation expense was \$1,726, \$7,373 and \$15,000 for the years ended December 31, 2021, 2020 and 2019, respectively. All property and equipment are pledged as collateral for the Company's long-term debt owed to banks.

NOTE 4 – LONG TERM DEBT

The following is a summary of long-term debt at December 31:

	<u>2021</u>	<u>2020</u>
Note payable SBA loan with a bank. Face amount of \$3,800,000, payable in 120 monthly installments of \$42,188 including interest at a variable rate of Prime +2.75% (currently 6.0%). Final payment due on September 14, 2030. Collateralized by assets of the Company and the personal guaranty of the shareholders of the Company.	\$ 3,371,462	\$ 3,649,678
Note payable, Payroll Protection Program. Face amount of \$300,000, interest at 1% per year, Due in one payment of \$300,000 plus accrued interests on April 21, 2020. The Company has applied for forgiveness under the terms of the Payroll Protection Program. The loan is not collateralized.	-	300,000
Note payable to finance company, due in monthly installments of \$968 including interest at 4.99%. Final payment due in July 2021. Collateralized by vehicle.	-	8,512
Note payable to bank, due in monthly installments of \$4,396 including interest at 12.0%. Final payment due in August 2022. Collateralized by the assets of the Company.	8,432	34,035
	<u>3,379,894</u>	<u>3,992,225</u>
Less current maturities	(304,507)	(620,803)
	<u>\$ 3,075,387</u>	<u>\$ 3,371,422</u>

**911 RESTORATION FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – LONG TERM DEBT (CONTINUED)

The maturities of the long-term debt are as follows:

Year ending December 31:	
2022	\$ 304,507
2023	314,994
2024	334,603
2025	356,375
2026	379,012
Thereafter	<u>1,690,403</u>
	<u>\$ 3,379,894</u>

Interest expense on the long-term debt was \$227,392, \$79,908 AND \$49,458 for the years ended December 31, 2021, 2020 and 2019, respectively.

NOTE 5 – TRANSACTIONS WITH STOCKHOLDERS AND AFFILIATES

Treasury Stock

During 2020 The Company paid \$3,900,0000 to purchase the entire shareholder interest from one of the Company's principal shareholders.

Advances to Shareholders and Receivable from Related Parties

The Company has made certain advances to the Company's shareholders.

From time to time the Company provides sales and administrative services to the Company's affiliates. As of December 31, 2021 the amount owed to the Company by the affiliates for those services was \$89,104 and is aggregated in the advances to related parties reported as a component of stockholders' equity.

Advances are not collateralized, noninterest bearing and due on demand. Advances due from Shareholders as of December 31, 2021, and 2020 were \$141,789 and \$141,789, respectively. The advances are reported as a component of stockholders' equity (deficit) in the accompany balance sheets as the net advances do not have stated repayment terms.

NOTE 6 – COVID-19 RELIEF

During 2021 and 2020 the Small Business Administration ("SBA") under the CARES act for COVID -19 relief made payments to the Company's bank in payment of the monthly amounts due under the terms of the loan agreement as disclosed in note 4 above. The total amount of those payments was \$168,752 and \$84,376 for the years ending December 31, 2021, and 2020 and was accounted for under the guidance of ASC 470 "Debt" as a forgiveness of debt. \$168,752 and \$84,376 has been reported in other income in the attached statement of operations for the years ending December 31, 2021, and 2020 and interest expense and principal reductions have been recorded according to the terms of the loan agreement with the bank.

During 2020 the Company was loaned \$300,000 under the Paycheck Protection Program ("PPP Loan") for COVID-19 relief during 2020 which was reported as a current liability as of December 31, 2020, in the attached balance sheet. During 2021 the Company received notice of the forgiveness of that debt from the SBA and the forgiveness of the debt is reported as other income in the attached statement of operations.

**911 RESTORATION FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Litigation:

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 8 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through April 13, 2022, the date on which the financial statements were available to be issued.

EXHIBIT F
TO THE FRANCHISE DISCLOSURE DOCUMENT
FRANCHISE COMPLIANCE CERTIFICATE

The undersigned Franchisee desires to enter into a Franchise Agreement with 911 Restoration Franchise Inc., a California corporation ("**Franchisor**"). Franchisor requires that Franchisee complete this Questionnaire in order to enable Franchisor to confirm that Franchisor and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws.

1. Full name of Franchisee:

2. Franchised Location:

3. Franchisee is: (Check applicable box)

☐ An individual,

☐ A corporation,

☐ A general partnership,

☐ A limited partnership,

☐ A limited liability company

4. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of Franchisee: (Check applicable box)

☐ Officer (insert title): _____

☐ General Partner: _____

☐ Other (please explain): _____

5. Did Franchisee receive a Franchise Disclosure Document from Franchisor? ☐ Yes ☐ No

6. On what date was the Franchise Disclosure Document received, and by whom?

Recipient: _____

Date: _____

7. Below, please indicate the contracts proposed to be executed by Franchisee in connection with execution of the Franchise Agreement (the "**Agreements**") and the date that the final form of each of the Agreements was delivered to Franchisee:

	<u>Agreement</u>	<u>Date Received</u>
☐	Franchise Agreement	_____
☐	Area Development Agreement	_____
☐	_____	_____
☐	_____	_____

8. Name of salesperson(s) handling this sale for Franchisor:

9. Were any oral or written statements made to Franchisee by Franchisor, the salesperson(s) listed above, or any other representatives of Franchisor concerning the actual sales, profits or earnings of any franchised or company-owned unit(s), or potential sales, profits or earnings that could be anticipated at any location? ☐ Yes ☐ No.

If yes, please explain in detail (attach additional sheet if necessary) and if none, write "none":

10. Did Franchisee carefully review and understand the Franchise Disclosure Document and the Franchise Agreement, as applicable, and the other Agreements? ☐ Yes ☐ No

If no, please explain:

11. Did Franchisee ask Franchisor any questions concerning the Franchise Disclosure Document or Agreements that were not satisfactorily answered? ☐ Yes ☐ No

If yes, please explain:

12. Did the salesperson(s) listed above, or any other employee or representative of Franchisor, make any statement to Franchisee which is inconsistent with the information described in the Franchise Disclosure Document? ☐ Yes ☐ No

If yes, please explain:

13. Did any employee or other person on Franchisor's behalf make any statement or promise about Franchisor's affiliated companies other than the information contained in the Franchise Disclosure Document?

☐ Yes ☐ No

If yes, please explain:

14. Did Franchisee contact other franchisees of Franchisor to discuss Franchisee's possible execution of the Franchise Agreement? ☐ Yes ☐ No

15. If your answer to question 14 was yes, please identify these franchisees (attach extra sheets if necessary):

16. Did Franchisee employ an attorney to render advice to Franchisee concerning the execution of the Franchise Agreement? ☐ Yes ☐ No.

If yes, please insert the name address and telephone number of such attorney:

17. Did Franchisee consult with an accountant or other financial advisor in connection with the execution of the Franchise Agreement? ☐ Yes ☐ No.

If yes, please insert the name address and telephone number of such accountant or financial advisor:

☐ Accountant

[] Other (please describe) _____

18. Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a business similar to an 911 Restoration Franchised Business [] Yes [] No; if "yes", how many, where and for howlong?_____.

19. Has Franchisee, directly or through one or more affiliated business entities, previously owned and/or operated a 911 Restoration Franchised Business [] Yes [] No; if "yes", for how long? _____.

20. If Franchisee has checked "yes" to question 19, Franchisee represents and agrees that Franchisee is entering into the Franchise Agreement based on Franchisee's own knowledge of, and experience with the 911 Restoration System, and not in reliance upon any statements or information made or provided, or alleged to have been made or provided, by Franchisor or its affiliates, or any of its or their officers, directors, agents, employees or representatives.

AGREED: _____

Franchisee's Initials

Franchisee understands that Franchisor is acting in reliance on the truthfulness and completeness of Franchisee's responses to the questions above in entering into the Franchise Agreement with Franchisee.

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT G
TO THE FRANCHISE DISCLOSURE DOCUMENT
GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this “**Release Agreement**”) is made and entered into as of _____ (the “**Effective Date**”), by and among **911 RESTORATION FRANCHISE INC.**, a California corporation (“**Franchisor**”), on the one hand, and _____, a _____ (“**Franchisee**”), _____ and _____ (“**Owner**”), on the other hand, who are collectively referred to in this Release Agreement as the “**Releasing Parties**”, with reference to the following facts:

A. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____ (the “**Franchise Agreement**”) for the 911 Restoration franchised business (the “**911 Restoration Franchised Business**”) located at _____ (the “**Franchised Location**”).

B. Franchisee desires to enter into a _____.

C. This Release Agreement has been requested at a juncture in the relationship of the parties where Franchisor is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Franchisor is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a “clean slate” and that there are no outstanding grievances or Claims against it. Releasing Parties, therefore, gives this Release Agreement as consideration for receiving the agreement of Franchisor to an anticipated change or expansion of the relationship between the parties. Releasing Parties acknowledges that this Release Agreement is intended to wipe the slate clean.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Definitions.** As used herein, the following capitalized terms have the meanings ascribed to them.

1.1 “**Claims**” means all actual and alleged claims, demands, Losses, charges, agreements (whether written or oral), covenants, responsibilities, warranties, obligations, contracts (whether oral or written), debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys’ fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature.

1.2 “**Constituents**” means past, present and future affiliates, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

1.3 “**Excluded Matters**” means Franchisor’s continuing contractual obligations which arise or continue under and pursuant to the Franchise Documents on and after the date of this

Release Agreement (this Release Agreement is not intended to terminate or amend the Franchise Agreement; this Release Agreement is intended to relieve Franchisor and its Constituents of responsibility for its or their failure, if any, to have timely performed or completed obligations which by the terms of the Franchise Agreement were to have been performed or completed prior to the Effective Date).

1.4 *“Franchisor Released Parties” means Franchisor and each of its Constituents.*

1.5 *“Losses” means all damages, debts, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, all interest thereon, all costs and expenses of investigating any Claim, reference proceeding, lawsuit or arbitration and any appeal therefrom, all actual attorneys’ fees incurred in connection therewith, whether or not such Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid incident to any compromise or settlement of any such Claim, reference proceeding, lawsuit or arbitration.*

2. General Release Agreement. Releasing Parties, for themselves and their Constituents, hereby release and forever discharge the Franchisor Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, except for the Excluded Matters and obligations under this Release Agreement.

3. Waiver of Section 1542 of the California Civil Code.

3.1 *Releasing Parties, for themselves and their Constituents, acknowledge that they are familiar with Section 1542 of the California Civil Code, which reads as follows:*

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

3.2 *With respect to those Claims being released pursuant to Section 2, Releasing Parties, for themselves and their Constituents, acknowledge that they are releasing unknown Claims and waive all rights they have or may have under Section 1542 of the California Civil Code or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasing Parties shall be considered to be creditors of the Franchisor Released Parties, and each of them.*

3.3 *Releasing Parties acknowledge that this general release extends to Claims which Releasing Parties do not know or suspect to exist in favor of Releasing Parties at the time of executing this Release Agreement, which if known by Releasing Parties may have materially affected their decision to enter into this Release Agreement. It is understood by Releasing Parties that the facts under which this Release Agreement is given may hereafter turn out to be other than or different from the facts known or believed to be true. Releasing Parties therefore, expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.*

4. Representations and Warranties. Releasing Parties hereby represent and warrant to the Franchisor that, in entering into this Release Agreement, they (i) are doing so freely and voluntarily

upon the advice of counsel and business advisor of their own choice (or declined to do so, free from coercion, duress or fraud); (ii) have read and fully understand the terms and scope of this Release Agreement; (iii) realize that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) have not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are released by this Release Agreement now or in the future, that they are aware of no third party who contends or claims otherwise, and that they shall not purport to assign, transfer, or convey any such Claim hereafter.

5. Covenants Not to Sue. Releasing Parties hereby irrevocably covenant to refrain from, directly or indirectly, asserting any Claim or demand, or commencing, initiating or causing to be commenced, any proceeding of any kind against any of the Franchisor Released Parties based upon any matter released hereby.

6. Indemnity. Without in any way limiting any of the rights and remedies otherwise available to the Franchisor Released Parties, Releasing Parties shall defend, indemnify and hold harmless each Franchisor Released Party from and against all Claims whether or not involving third-party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasing Parties or their Constituents of any Claim or other matter released pursuant to this Release Agreement; (ii) the assertion by any third party of any Claim or demand against any Franchisor Released Party which Claim or demand arises directly or indirectly from, or in connection with, any Claims or other matters released pursuant to this Release Agreement; and (iii) any breach of representations, warranties or covenants hereunder by Releasing Parties or its Constituents.

7. Miscellaneous.

7.1 *This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties hereto.*

7.2 *This Release Agreement, together with the agreements referenced herein, constitute the entire understanding between and among the parties hereto with respect to the subject matter hereof.*

7.3 *This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.*

7.4 *This Release Agreement shall be binding upon and inure to the benefit of the parties to this Release Agreement and their respective successors and permitted assigns.*

7.5 *The rule that an agreement is to be construed against the party drafting the agreement is hereby waived by the parties hereto, and shall have no applicability in construing this Release Agreement or the terms of this Release Agreement.*

7.6 *Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.*

7.7 Each of the parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.

7.8 This Release Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. The Release Agreement may not be amended except in a writing signed by all of the parties. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties are relying upon any representation, warranty, agreement or covenant not set forth herein.

7.9 This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Release Agreement would not be enforceable under the laws of California, and if the 911 Restoration Franchised Business is located outside of California and such provision would be enforceable under the laws of the state in which the 911 Restoration Franchised Business is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 7.9 is intended by the parties to subject this Agreement to any franchise or similar law, rules, or regulation to which it would not otherwise be subject. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought in Los Angeles County, California, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the Effective Date.

FRANCHISOR:

911 RESTORATION FRANCHISE INC.,
A California corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

A _____

By: _____

Name: _____

Title: _____

OWNER:

_____, an individual

EXHIBIT H
TO THE FRANCHISE DISCLOSURE DOCUMENT
STATE EFFECTIVE DATES

(Beginning on next page)

STATE EFFECTIVE DATES

The following States require that the Franchise Disclosure Document be registered or filed with the State, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
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.

**EXHIBIT I
TO THE FRANCHISE DISCLOSURE DOCUMENT
RECEIPTS**

(Beginning on next page)

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If 911 Restoration Franchise Inc. offers you a franchise, 911 Restoration Franchise Inc. 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.

Michigan requires that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

New York requires you to receive this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If 911 Restoration Franchise 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 and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency Identified on **Exhibit A**.

The franchisor is 911 Restoration Franchise Inc., located at 7721 Densmore Ave., Van Nuys, California 91406. Its telephone number is (888) 243-6653.

Issuance Date: April 26, 2022

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Idan Shpizear and/or Miri Offir, 7721 Densmore Avenue, Van Nuys, CA 91406; (747) 233-2618;

We authorize the persons and/or entities listed on **Exhibit A** to receive service of process for us.

I have received a Disclosure Document dated April 26, 2022 that included the following Exhibits:

Exhibit A	List of State Administrators and State Agents for Service of Process
Exhibit B	Franchise Agreement (with Conversion Addendum)
Exhibit C	State Specific Addenda
Exhibit D	List of Current Franchisees and Franchisees Who Have Left the System
Exhibit E	Financial Statements
Exhibit F	Franchise Compliance Certificate
Exhibit G	Form of General Release
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date

Franchisee

Please sign this copy of the Receipt, date your signature, and return it to: Idan Shpizear or Miri Offir at 911 Restoration Franchise Inc., 7721 Densmore Ave., Van Nuys, California 91406 or by fax to (818) 373-4860.

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If 911 Restoration Franchise Inc. offers you a franchise, 911 Restoration Franchise Inc. 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.

Michigan requires that we give you this Disclosure Document at the earlier of 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

New York requires you to receive this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If 911 Restoration Franchise 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 and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency Identified on Exhibit A.

The franchisor is 911 Restoration Franchise Inc., located at 7721 Densmore Ave., Van Nuys, California 91406. Its telephone number is (888) 243-6653.

Issuance Date: April 26, 2022

The name, principal business address and telephone number of each Franchise Seller offering the Franchise: Idan Shpizear and/or Miri Offir, 7721 Densmore Avenue, Van Nuys, CA 91406; (747) 233-2618;

We authorize the persons and/or entities listed on Exhibit A to receive service of process for us.

I have received a Disclosure Document dated April 26, 2022 that included the following Exhibits:

Exhibit A	List of State Administrators and State Agents for Service of Process
Exhibit B	Franchise Agreement (with Conversion Addendum)
Exhibit C	State Specific Addenda
Exhibit D	List of Current Franchisees and Franchisees Who Have Left the System
Exhibit E	Financial Statements
Exhibit F	Franchise Compliance Certificate
Exhibit G	Form of General Release
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date

Franchisee

Keep this copy for your records. This Disclosure Document may be available in several formats including on paper, on a CD, in pdf format or on our website: www.911restorationfranchise.com.