FRANCHISE DISCLOSURE DOCUMENT

ACTION DUCT CLEANING FRANCHISING, INC.
A California Corporation
2333 Lincoln Avenue
Altadena, CA 91001
Franchising@ActionDuct.com
http://www.ActionDuct.com
626-791-7870

The franchisor is offering a franchise for a business that provides a wide variety of cleaning services of air handling systems for residential and commercial properties under the name of "Action Duct Cleaning".

The total investment necessary to begin an Action Duct Cleaning franchise is between $52,500 to $110,750. This includes between $19,500 and $29,500 that you will pay to the Franchisor and its affiliates for an initial franchise fee.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dan Stradford at 2333 Lincoln Avenue, Altadena, CA 91001 or call 626-791-7870.

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

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

THE ISSUE DATE OF THIS DISCLOSURE DOCUMENT IS APRIL 3, 2020.

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.
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 A 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 Action Duct Cleaning franchise 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 Action Duct Cleaning franchisee?	Item 20 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 D.

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

Special Risks to Consider About This *Franchise*

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

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

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.

ACTION DUCT
CLEANING COMPANY

ACTION DUCT CLEANING FRANCHISING, INC.
FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

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

To simplify the language in this Disclosure Document, "We," "Us" or "Action Duct Cleaning," means Action Duct Cleaning Franchising, Inc., the franchisor. "You" means the person(s) who buy(s) the franchise. Action Duct Cleaning Franchising, Inc. is a California Corporation chartered on October 16, 2017. Our principal place of business is at 2333 Lincoln Avenue, Altadena, CA 91001 (Telephone Number 626-791-7870).

We have one affiliate, Action Duct Cleaning Company, Inc that operates multiple offices providing cleaning services similar to the one you will own. The company was founded in 1978 by Dan and Betty Stradford who incorporated the business 1984. In 1987, they opened an office in Riverside County, California and in 1989 they opened an office in Orange County. In 2018 and 2019 both of these offices were sold to their respective Branch Managers.

We have no Predecessor and we do not have a Parent company.

Our agent for service of process in California is Dan Stradford, 2333 Lincoln Avenue, Altadena, CA 91001 Phone 626-791-7870. Refer to Exhibit C, the Schedule of State Agencies attached for information on the agent for service of process in other states where we may be registered.

We grant you the right to provide a broad range of cleaning services to residential and commercial property owners. Primary services include HVAC duct cleaning, dryer duct cleaning, kitchen exhaust cleaning, industrial oven cleaning, industrial silo cleaning, chimney cleaning, gutter cleaning, Aeroseal duct sealing and related services. All cleaning services are performed at the customers' building by a team of 1 to 3 technicians that have been trained by us and may hold certificates of advanced training from state or national organizations. You will market and operate your business under the trade name "Action Duct Cleaning," which our affiliate has registered with the US Patent and Trademark Office. Franchise owners don't need to have experience in the cleaning industry, as training will be provided to give owners sufficient knowledge to bid, sell, service and supervise staff in completing projects.

You may operate from a home office or a small office that we have approved that lies within your Protected Territory. Our website identifies and promotes the services that are regularly offered to the public and to business property owners. All franchisees will offer the same menu of services as described in our Operations Manuals.

We will teach you our methods for managing your business and assist you in implementing our system of marketing an Action Duct Cleaning franchise. We will assist you in selecting a suitable territory and we will protect you from having another Action Duct Cleaning franchisee providing services in your Protected Territory. We will provide you with the list of software, computers and other equipment you need to run your business. We will teach you procedures for marketing your business to homeowners and business owners; for recruiting; and for teaching your staff to complete the jobs you're contracted to complete.

Our business model is unique and it is not marketed nor available to those outside our system. We provide guidance for both our administrative team and our cleaning technicians to ensure a superior experience for each property owner. We will teach you how to initiate successful marketing programs for you to implement in your city; and we will conduct research and analysis of new services and products for you to offer in the future. We award you the right to use our name and logo in your market for soliciting business, in advertising, signage, brochures, letterhead and business cards. We will also add your franchise's contact information to our web site to help you gain name recognition in your community and customers for your services. While we believe that your affiliation with our system is very beneficial, it does not guarantee that you will develop a successful or profitable business operation.

We have been offering franchises since October 31, 2018. We have not offered franchises in any other lines of business. We, or our affiliates, may, in the future, operate Action Duct Cleaning franchises in various markets that we do not currently service, but we will not encroach on the territory of a franchisee. We currently operate the website www.ActionDuct.com which promotes our franchises through the internet. We will add new franchisees' contact information to this website when they are trained, equipped and prepared to open their businesses.

There are no federal regulations specific to the operation of an Action Duct Cleaning franchise but, like any business, you will be required to comply with numerous government regulations (both state, local and federal) affecting the operation of your franchise and your relationship with employees, including local zoning regulations, minimum wage requirements, overtime, working conditions and citizenship requirements.

Some states or municipalities require that the business providing certain services on the ductwork of HVAC units have state or local licenses. There may be other laws applicable to your business and the services that you offer and we urge you to make further inquiries of your advisors and local government officials about such regulation.

You will compete with other businesses offering air duct, dryer duct, chimney and exhaust hood cleaning. The market for the services we provide is competitive but the number of homes and businesses needing this type of cleaning is growing. At the date of this Disclosure Document, research disclosed a very limited number of businesses offering our broad list of cleaning services.

2. BUSINESS EXPERIENCE

President and Treasurer; Dan Stradford: From 1978 to the present, Mr. Stradford has served as the President, Treasurer and a Shareholder of our affiliate, Action Duct Cleaning Company, Inc. He has extensive experience in the cleaning services we offer, sales and marketing of our services and he oversees our affiliate's operation. Mr. Stradford has been serving as our President, Treasurer, and a Shareholder since our founding in October 2017.

Secretary; Betty Stradford: From 1978 to the present, Mrs. Stradford has served as Secretary and a Shareholder of our affiliate, and now serves as Secretary and Shareholder of Action Duct Cleaning Franchising, Inc.

3. LITIGATION

No litigation is required to be disclosed in this Item.

4. BANKRUPTCY

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

5. INITIAL FEES

All franchisees pay a uniform Initial Franchise Fee of $29,500 for a license to operate one Action Duct Cleaning franchise within a specific Protected Territory. As an inducement to join our system, the Initial Franchise Fee for the first five franchisees to sign a Franchise Agreement will be reduced to $19,500 and for franchises six through ten, it will be $24,500. For franchisees in California, payment must be made in a lump sum when we have completed all of our initial obligations and you open your business. Payments made are considered earned and non-refundable at that time.

In certain areas there may be Action Duct Cleaning services being provided in local homes and businesses by our affiliate, Action Duct Cleaning Company, Inc. These contracts will be assigned to a franchisee purchasing that territory for no cost at the time the franchisee has completed training and is ready to open.

During the term of your Franchise Agreement, you have the right to acquire additional franchise licenses to operate other Action Duct Cleaning territories, on an "as available" basis, only if you are in compliance with the terms of the franchise agreement, at a reduced price of Ninety Percent (90%) of the franchise fee being charged to new franchisees at the time application is made. Any franchisee may only receive one reduced Franchise Fee or Discount per franchise purchased. Each additional Franchise License includes the right to own and manage one Protected Territory from your home or a small office. You will not pay us or our Affiliate any other fees or payments before your business opens. There were two franchises sold in 2019. Neither paid an Initial Franchise Fee. One was sold to a long-term branch manager, the other to an individual well-experienced in the industry who will be paying 12% Royalites or the first $300k of Annual Gross Receipts and 8% thereafter, in lieu of the Initial Franchise Fee.

6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty[1]	10% of Total Gross Receipts on the First $300,000 Collected Annually; 9% on the Next $300,000, and 8% on all Receipts in Excess of $600,000. Beginning in the Thirteenth Month, a Minimum Monthly Royalty of $1,000 Will Be Due. Beginning in the Twenty-fifth Month, a Minimum Monthly Royalty of $1,500 Will Be Due.[4]	Payable by the seventh day of the month following the month in which you received payment. Subject to $100 late fee plus 1½% per month interest if not received within 7 days of the due date.[2]	Total gross receipts includes all revenue collected by the franchise.[3] Gross receipts does not include sales nor use taxes. You must permit us to debit your bank account for Royalties due.
Advertising Fees[1]	We Reserve the Right to Collect up to 2% of Total Gross Receipts of Your Business.	We may in the future require you to pay up to 2% per month as a Regional or National Advertising Fee. This fee will be Payable monthly by the seventh day of the following month.[2]	We will utilize the Advertising Fee to promote the system's services and to produce advertising media for use in local markets.[4] We will debit your bank account for Advertising Fees due.

Type of Fee	Amount	Due Date	Remarks
Local Advertising[1]	We Require That You Spend a Minimum of 5% of Total Gross Receipts Monthly on Local Advertising or $500, whichever is Greater. In markets where there are multiple Action Duct Cleaning franchises, you must join an advertising co-op to share marketing costs with other owners. These expenses qualify as a portion of your Local Advertising commitment.	When billed by local vendors.	You will pay your vendors directly. Advertising expenses considered eligible for the 5% are direct advertising costs but not product discounts or giveaways.
Additional Franchise Management Training[1]	$750 per person is the current charge for the training of employees in excess of the two provided for in your initial franchise fee.	2 weeks prior to beginning of training.	We train 2 persons free. See Item 11.
Software Fees[6]	$150 to $200 Monthly.	Paid Monthly	Payable to us or to Vendors
Transfer[1]	If you sell your franchise to someone else, Twenty-Five Percent (25%) of the Initial Franchise Fee being charged new franchisees at the time of the transfer will be due to us.	Prior to consummation of transfer.	Payable to us when you sell your franchise and includes 2 seats for Franchise Management Training. No charge if the franchise is transferred to a corporation or an LLC which you own.
Renewal Fee[1]	Ten Percent (10%) of the Initial Franchise Fee being charged new franchisees at the time of the renewal will be due us when you renew your Franchise License at the end of its 10 year term.	30 days before renewal (at the end of your 10 year license).	Payable to us.
Audit[1]	If we feel it is necessary to audit your books and an underpayment of 3% or more is discovered, in addition to any under payment, you must pay us a late fee of 15% of the underpaid royalty plus 18% annual interest and the cost of the audit.[2]	3 days after billing.	Payable to us by you only if an audit shows an underpayment of at least 3% of gross receipts for any month or if we performed the audit due to your failure to report revenues.

1 All fees are imposed by and are payable to us. All fees are non-refundable.

2 You must permit us to debit your checking account for payment of your Royalty and Advertising Fees based upon reports that you must fax, email or send by other electronic means to headquarters each month. Interest begins from the date of any underpayment.

3 You must pay royalties on all funds collected by your business, net of any sales taxes that you must collect for government agencies. In a case where you are unable to collect from a customer, no royalty will be due on that amount. You may also deduct any refunds given to customers.

4 When 15 franchises are open for business, we have the right to institute an Advertising Fee and require that you and all franchisees pay up to 2% of the monthly gross receipts of your business. We will administer the Action Duct Cleaning Ad Program with the guidance of a committee consisting of Franchise Owners and our representatives.

Such a program will not be initiated earlier than when 15 franchises exist. We will notify all franchisees 60 days before implementing an Advertising Program and collecting these amounts. At such time that an Advertising Fee is implemented, we will contribute 2% of monthly gross receipts (or any lower system-wide amount which is identical to that paid by franchisees) of our company-owned, or affiliate-owned, Action Duct Cleaning operating units' revenues.

5 Beginning in the thirteenth month of your franchise's operation, you must pay a minimum monthly Royalty of $1,000 and beginning in the twenty-fifth month, your minimum monthly Royalty will be $1,500, regardless of the Receipts generated by your franchise. This payment will be due by the seventh day of the following month.

6 You will utilize several software programs to manage accounting, customer relationship management (CRM), customer service, etc in your franchise. You will pay some companies directly for their software, for others, you will pay us to be added to our master account.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[1]	$19,500 to $29,500	Lump Sum	When we have completed our pre-opening obligations to you and you open your business	Action Duct Cleaning
Travel & Living Expenses while Training	$1,500 to $3,500	As Incurred	During Training	Airlines, Hotels, & Restaurants
Rent	$0 to $750	Only if Not Operating a Home Office. Initially and Monthly	At Lease Signing	Landlord
Leasehold Improvements[2]	$0 to $1,000	As Incurred	Before Opening	Local Vendors
Labor (Pre-Opening)	$0 to $1,000	Weekly	Training Before Opening	Employees
Equipment	$10,000 to $35,000	As Incurred	Before Opening	Vendors
Computers & Software	$2,500 to $3,500	As Incurred	Before Opening	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Office Furniture & Equipment	$1,000 to $2,500	As Incurred	Before Opening	Local Vendors
Legal, Accounting & Insurance	$2,500 to $5,000	As Incurred	Before Opening	Local Vendors
Utility Deposits	$0 to $500	As Incurred	Before Opening	Local Utility Companies
Inventory For Resale	$500 to $1,000	As Incurred	Before Opening	Vendors
Grand Opening Promotion[4]	$3,500 to $5,000	As Incurred	Before Opening	Vendors
Miscellaneous Opening Costs[5]	$1,500 to $2,500	As Incurred	Before Opening	Vendors
Additional Funds During Initial Six Month Period[6]	$10,000 to $20,000	As Incurred	During the initial 3 to 6-month period	Vendors and Staff
TOTALS	$52,500[1] to $110,750			

Notes:

1 See Item 5 for details on when reductions may apply.

2 We expect that most franchisees will operate from an office in their home. If you prefer, a suitable commercial facility would include 150 to 250 square feet of leased space that is in a commercial building. You may incur leasehold improvement costs and you will pay ongoing rental fees for space outside your home.

3 Computers, Software & Training Materials includes items in the following chart:

Computer System Specifications: 2 Windows Compatible Computers	$1,750 - $2,000
2 Commercial Inkjet Printers	$500 - $750
Software	$250 - $750
TOTALS	$2,500 - $3,500

4 Grand Opening Promotion. We have developed advertising campaigns that will introduce your services in your marketplace. You will arrange with various vendors to execute these programs between 30 days prior to and 90 days after opening. Your investment in Start Up Advertising will vary based on the cost of media, your competition in your marketplace and your short-term goals.

5 Miscellaneous Opening Costs include costs of office supplies; printed forms; and government license fees.

6 Additional Funds estimates the cash or credit lines you should have available when you open your business to cover any expenses that exceed revenues during the first three to six months. These expenses include payments for your staff, **but not for you**. You should plan on covering personal expenses without making draws on the business for three to six months from the date of opening. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your Action Duct Cleaning business; the prevailing pay rates; competition; and the sales level reached during the initial period.

7 To create these estimates of how much you may spend during the time from signing your Franchise Agreement until you reach break even, we relied on our management team's experience in the air duct cleaning industry running businesses similar to those offered in this document in three different markets. You should review these figures carefully with a business advisor before making any decision to purchase our franchise. None of the payments listed in this Item are refundable. Neither we nor any affiliate of ours finance any part of your initial investment.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Action Duct Cleaning franchisees provide a broad range of cleaning services to the property of residential and commercial property owners. Primary services include HVAC duct cleaning, dryer duct cleaning, kitchen exhaust cleaning, industrial oven cleaning, industrial silo cleaning, chimney cleaning, gutter cleaning, Aeroseal duct sealing and related services. Any additions to this list of services must be approved by us. Neither we nor any affiliate of ours sell you any products for your franchise but we reserve the right to do so in the future. There are no approved vendors or suppliers in which any of our officers owns an interest.

We have no purchasing or distribution cooperatives. We do not provide you with any material benefits (such as renewal or granting additional franchises) based on your use of designated or approved sources, but doing so is one of your obligations under the Franchise Agreement.

You are required to carry several kinds of insurance, which include: liability coverage with minimum limit of $1,000,000 per occurrence and $2,000,000 aggregate; 90% replacement coverage on business assets; workers compensation (where required); employer’s liability coverage of at least $100,000 per injury per employee and $500,000 policy limit; vehicle coverage for both owned, leased and non-owned vehicles with a combined $1,000,000 limit per state and the same coverage for uninsured motorists; plus any bonds that may be required in your state.

We estimate that purchases from approved suppliers or in accordance with our specifications will represent approximately 20% of your total purchases to establish, and approximately 10% of your total purchases to operate, your franchise.

You must purchase letterhead, business cards, signs, banners, marketing materials and supplies in accordance with quality standards set forth in the Operations Manual. These specifications include standards for quality, reliability and on-time delivery. These products may be offered by us but may be purchased from any vendor of your choosing. You do not purchase computer hardware or software from us or from designated sources, and as shown in Items 7 and 11 of this Disclosure Document, you can anticipate spending approximately $2,500 to $3,500 for computer hardware, software and related equipment.

We, or our related companies, may, in the future, derive income or benefits from the purchases made by our franchisees for items from approved vendors. In 2018, we did not derive any income as a result of any purchases by franchisees.

In 2019, our affiliate, Action Duct Cleaning Company, Inc ., had revenues of $0 from the sale of products or services to our franchisees, which constituted 0% of its total revenues of $3,578,459.

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 OBLIGATION IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and Acquisition/lease	Sections 2 and 4D of Franchise Agreement	Items 7 and 11
b. Pre-opening purchase/leases	Sections 4 and 5 of Franchise Agreement	Items 6 & 7
c. Site development and other pre-opening requirements	Sections 2, 4 and 5 of Franchise Agreement	Items 7 and 11
d. Initial and ongoing training	Sections 4A & 5A of Franchise Agreement	Item 11
e. Opening	Sections 2, 5B, & 5C of Franchise Agreement	Item 5 & 11D
f. Fees	Section 3 & 6 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Section 5 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Section 5C of Franchise Agreement	Items 13 and 14
i. Restrictions on products/ services offered	Section 5C of Franchise Agreement	Items 8 & 16
j. Warranty and customer service requirements	Section 5B, 5C & 5E of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Section 6A of Franchise Agreement	Item 12
l. Ongoing product/service purchases	Section 5E of Franchise Agreement	Items 8 & 16
m. Maintenance, appearance and remodeling requirements	Section 5C, D, E, F and K of Franchise Agreement	Item 11
n. Insurance	Section 5I of Franchise Agreement	Items 7 and 11

Obligation	Section in Agreement	Disclosure Document Item
o. Advertising	Section 5G of Franchise Agreement	Items 6 and 7
p. Indemnification	Section 7 of Franchise Agreement	Item 13
q. Owner's participation/ management/staffing	Section 5B of Franchise Agreement	Item 15
r. Records and reports	Sections 5H, 6A & 6B of Franchise Agreement	Item 6
s. Inspections and audits	Section 5H of Franchise Agreement	Item 6
t. Transfer	Section 11 of Franchise Agreement	Items 6 and 17
u. Renewal	Section 8 of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Section 10 of Franchise Agreement	Item 17
w. Non-competition covenants	Section 15 & Addendum I of Franchise Agreement	Item 17
x. Dispute resolution	Sections 18 & 20 of Franchise Agreement	Item 17
Y. Other (describe)	NA	NA

10. FINANCING

We generally do not offer financing or guarantees of any costs or leases associated with opening or operating your franchise. However, we may offer partial or full financing of your Initial Franchise Fee if you have been an employee of us, or an affiliate, for more than 12 months or you have experience managing a business in a related industry in the past. Additional qualifications for obtaining financing would include your credit score, your current net worth and the amount of debt you now owe others.

Loans made to franchise buyers will be payable monthly, incur a ten percent (10%) interest rate and extend for a maximum of 36 months. A copy of our current Promissory Loan Agreement is included as Addendum J of our attached Franchise Agreement.

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

Except as listed below, Action Duct Cleaning Franchising, Inc. is not required to provide you with any assistance.

A. Prior to Opening:

1 We will assign your Protected Territory and protect you from having another franchisee, us, or our affiliates, open an Action Duct Cleaning franchise within your Protected Territory nor service accounts therein unless specifically invited by you to do so or if you have declined to service said account for any reason. (Franchise Agreement - Paragraph 2 and Addenda A)

2 Within 30 days of your projected opening, we will provide a ten day class called Action Duct Cleaning University to train you and one other person at our Altadena, California Headquarters. (Franchise Agreement - Paragraph 4 Sections A, B and D) We will also lend you our 155 page Operations Manuals which contain mandatory and suggested specifications, standards and procedures. This manual is confidential and remains our property. We may modify this manual, but the modification will not alter your status and rights under the Franchise Agreement. (Franchise Agreement - Paragraph 4B). The table of contents of our current Manuals are included as Exhibit E at the end of this document.

3 If you decide to open a small office outside your residence, when you find sites that you feel are suitable and meet the needs of your Action Duct Cleaning Franchise, we will provide you guidance based on our experience in leasing commercial property. You must submit the sites and proposed lease for our acceptance. We will review your choices and corresponding documents to verify that they meet our standards and discuss our findings with you and issue acceptance subject to our comments and suggested changes regarding the lease. (Franchise Agreement - Paragraphs 2 and 4D)

The training will include information on topics critical to your success as follows:

TRAINING PROGRAM

Subject	Hours of Class-room Training	Hours of On-the-Job Training	Location
Industry Overview, Entrepreneurship, Orientation	2	0	Action Duct Cleaning Headquarters in Altadena, CA
List of Services, Software, and Philosophy	1	0	Action Duct Cleaning Headquarters
Technical Training on Action Duct Cleaning Services	50	0	Action Duct Cleaning Headquarters
Staffing Your Business, Training and Motivating Your Team	2	0	Action Duct Cleaning Headquarters

Subject	Hours of Class-room Training	Hours of On-the-Job Training	Location
Personnel, Safety, Security, Record Keeping and Accounting	2	0	Action Duct Cleaning Headquarters
Marketing, Promotion, Sales, and Booking Projects	17	0	Action Duct Cleaning Headquarters
Customer Relations	2	0	Action Duct Cleaning Headquarters
Managing By the Numbers	2	0	Action Duct Cleaning Headquarters
Franchise Compliance	2	0	Action Duct Cleaning Headquarters
Total Training Hours	80	0	

The cost of this training is included in your Initial Franchise Fee but you must pay the travel and living expenses for yourself and your employee(s) for the 10 days you will spend learning our system. You may also have to pay wages for your employees during their training. Your employees will need to be covered under Worker's Compensation Insurance prior to coming to school. Training occurs at our facility in Altadena, CA. The training work week is based on forty (40) hours per week but may exceed that projection. WE

Training will be monitored by Dan Stradford, our Founder, who developed our business model and has been active with our affiliate, Action Duct Cleaning Company, Inc since 1978. He has extensive experience in cleaning services related to air handling equipment, the sales and marketing of these services and he oversees our affiliate's business. Portions of our training will be conducted by Fernando Rivas who served from 2012 to 2014 as the private investigator liaison for the Law Offices of Thomas P. Riley in Pasadena, CA. Since 2014 he has served with our affiliate providing executive management, planning, and administrative control functions. The materials used in training are the Operations Manual, Policy and Procedures Manual. Training is mandatory for you and you may bring one additional person to our initial training program at no extra fee. You and your manager must successfully complete the training program to our satisfaction and must do so within the 90 day period within which you are required to open your franchised business. You are not allowed to open the business until the training has been successfully completed. We do not have any required additional training or refresher programs but we plan to develop these in the future.

B. During the operation of the franchised business, we will:

1 Provide your business's contact information on our website to assist prospective clients in contacting your franchise. (Franchise Agreement - Paragraph 4F)

2 Maintain a telephone and email advisory service to provide a prompt response to your operational, administrative, sales, and management questions regarding the operation of your franchise. (Franchise Agreement - Paragraph 4A, (ii))

3 During the term of your franchise, we will research and develop new services to offer your customers and research new equipment and inventory items, and train you in methods for incorporating them in your business. We will also provide you with information about developments in the industry that may impact your business. (Franchise Agreement - Paragraph 4B).

4 When the number of operating franchises warrants, we will hold annual conferences to discuss improvements in the Action Duct Cleaning system, advanced equipment available, additional sales and pricing techniques, improved operating techniques, quality control, marketing and advertising programs and accounting. We do not currently charge a fee to attend these conferences, but we may charge you a conference fee in the future and you must pay all your travel and living expenses incurred to attend these events. These mandatory conferences may be held at our Altadena headquarters or at other locations of our choosing. (Franchise Agreement - Paragraph 4B)

5 We may, from time-to-time, develop promotional, advertising and marketing materials for use in your territory. You will receive samples of these items at no charge. If you want additional copies you must pay us or our vendors for them. You may develop promotional materials for your own use, at your own cost. We must approve these materials in writing in advance of their use. We do not require you to join an advertising cooperative. In the future, we may require that you and all franchisees pay up to 2% of sales per year as an Advertising Fee to promote our brand regionally and nationally but we will not institute this fee until at least 15 franchises are open for business. The Action Duct Cleaning Ad Account will be administered by us but we will seek the guidance of a committee consisting of Franchise Owners and our representatives. Each year that the fee is active, a compilation of its financial activities will be prepared by an independent CPA and shared with all franchisees. In addition, any advertising fee not spent in the year collected will remain in the account to be expended in future years. At such time, if ever, that an Advertising Fee is implemented, we will contribute 2% of annual sales (or any lower system-wide rate which is identical to that paid by franchisees) of our company-owned or affiliate-owned Action Duct Cleaning businesses as a Fee. There are no governing documents for the advertising account as of the date of this Disclosure Document. No portion of the advertising account will be used to solicit new franchise sales. We control all advertising over the internet, including the systemwide web site. You cannot have your own website. (Franchise Agreement - Paragraph 4E)

C. Computer Purchases

You are required to have computers for managing the business, for use as a training aid for your staff, for developing a database of your customers, maintaining communications over the Internet and to produce your accounting records. Your system and its software must properly communicate with our systems to permit report submission and to access the Internet for communicating with us. You will need, as a minimum, two Windows Compatible Laptop Computers with 15" screens and a minimum of 500 gigabyte hard drives and processors running at 1.6 gHz or more with an i5 processor, 4 GB Ram, communications software, and a printer. You will also need to purchase the business management software package and training programs that we specify. While we have researched the products available at this time and are confident in our selection, we reserve the right to require utilization of new software solutions in the future. You will need a high speed internet connection to complement the computer system. As shown in Item 7 of this Disclosure

Document, you can expect to spend from $2,500 to $3,500 on the computer hardware, software and related equipment, and you can expect to spend approximately $300 each year on optional or required maintenance, updating, upgrading or support of the equipment. We will have unrestricted access to your franchise's accounting system, your database of prospects, clients, employees and vendors, as well as, all information entered in that system.

D. Site Selection and Opening

We anticipate that franchisees will operate their businesses from a home office and open their franchise 1 to 3 months after they sign a franchise agreement. If you choose to operate from a commercial site, you must notify us of your proposed site, but our approval is not required. The factors that affect the time to open your franchise may include your ability to obtain a lease, financing, construction or building permit delays, zoning and local ordinances, and delayed delivery of equipment. Your scheduling and completion of your training will also affect when you will be ready to open. There is no requirement that you secure an approved site by any given time period, but there is a requirement that you open your franchise within 90 days of signing your Franchise Agreement, unless you receive a written extension of this time. (Franchise Agreement - Paragraph 4 Section D). We can terminate your Franchise Agreement if you do not open within the 90 day period, with no refund of any part of your initial franchise fee. We will consider granting an extension of time if we feel you have acted diligently to open the franchised business.

E. Insurance and Indemnification

You must maintain adequate insurance and indemnity coverage throughout the term of your Franchise Agreement and any extension thereof as mandated by our Operations Manuals. You must also indemnify, or reimburse us for any losses or expenses we incur as a result of your actions or inaction. You must obtain coverages provided by a carrier with an A.M. Best rating of A VIII or higher, and in connection therewith to identify us as a named insured to the extent of our interest. (Franchise Agreement - Paragraph 5 Section I)

Prior to opening your business, you must deliver to us certificates or policies evidencing that your insurance is in full force and effect, and each year during the term of this Agreement, you must furnish premium receipts or other satisfactory evidence that such policies have continued in effect. Should you fail to maintain the required insurance, or furnish proof thereof, we have the option to obtain such insurance for you at your sole cost and debit your operating account the amount of the premium. You must promptly notify us of any and all claims under said policies of insurance against your franchise, us and/or our employees or agents of either.

F. Refurbishment, Remodel or Replace

Whether you occupy commercial space or work from you residence, you must maintain the appearance of the facility, and insure that your business's fixtures, equipment and supplies are in good working order. Before each third (3rd) year anniversary you are required to remodel the facility to the then current standards. The equipment may be either refurbished or replaced. If upon inspection, the facility and equipment have not been maintained to standards; Action Duct Cleaning may notify you in writing that you must bring the facility and fixtures up to the then current standards within ninety days. We anticipate that the costs of refurbishment, remodeling or replacement will cost between $1,000 to $5,000 depending on the sales of your business and the space you occupy.

12. TERRITORY

You will receive a Protected Territory insuring that no other Action Duct Cleaning franchises will be located within your Protected Territory nor will they be authorized to offer cleaning services to homes or businesses there without your express permission. Each territory will differ in size depending on local demographics, the population, and the number of businesses in the area, however, in most cases, your territory will include a population of at least one million residents and we anticipate that territories would not exceed two million residents. We use US Census data and directories to assist in evaluating a territory. Your territory will be defined by county or municipal boundaries, geographic or highway boundaries, or zip codes. You are authorized to operate only one Action Duct Cleaning business from your residence or a location that lies within your Protected Territory as defined in your Franchise Agreement. You will provide your services at residential or commercial properties that lie within your Protected Territory's borders and you are prohibited from offering services within the Protected Territory of another Franchisee. You may not, unless advertising with other Action Duct Cleaning Franchisees, target customers in areas outside your Protected territory with direct marketing nor advertise in internet, telephone, or similar directories that target these areas, nor may you establish mailing addresses for your Action Duct Cleaning business that would lead others to believe that you offer services or sell products outside of your Protected Territory. If you complete projects in areas that do not lie within another franchisee's (or our affiliate's) Protected Territories, you may not service that client in the future if a franchisee has purchased the territory where the client operates.

During the term of your franchise, you may purchase rights to open another Action Duct Cleaning franchise in another territory, if a suitable territory is available, for an Initial Franchise Fee of ninety percent (90%) of the rate being charged new franchisees at the time of your purchase. This is only available if you are in compliance with the terms of this and any other agreements or contracts you have with us. You do not otherwise have a right of first refusal to obtain additional territories or areas.

You do not have to generate a minimum level of sales or market penetration to maintain your Protected Territory. There are no circumstances that would allow us to modify your Protected Territory.

We are not restricted by the Franchise Agreement or otherwise from using other channels of distribution, such as the Internet, telemarketing, or other direct marketing methods, to make sales of cleaning related services or materials within your territory, whether using the Action Duct Cleaning marks or any other marks. If we were to make sales through such alternative channels of distribution, you would not be paid for any sales that are delivered into your Protected Territory.

If we, or you, receive a request for services within your territory that you are not equipped nor trained to do, or that you refuse to do, we reserve the right to service that account ourselves or assign it to our affiliate, another franchisee or some other entity, without compensating you.

While you will not receive an exclusive territory we will protect you from competition from other Action Duct franchisees and from outlets that we own, or from other channels of distribution or competitive brands that we control.

13. TRADEMARKS

We grant you the right to operate one Action Duct Cleaning business within a specific geographic territory. You may also use current and future trademarks and service marks we register to identify your business and its products and services.

We grant you the rights to use the Service Mark "**Action Duct Cleaning**," which was registered by our affiliate, Action Duct Cleaning Company, Inc, with the United States Patent and Trademark Office Principal Register on July 17, 2018, and assigned Registration Number 5517933. Action Duct Cleaning Company, Inc. has granted us the right to use the mark in franchising.

You must follow our rules when you use these marks. You cannot use our name or mark as part of your corporate (or other entity) name or with modifying words, designs or symbols except for those which we license to you. You may not use the Action Duct Cleaning name in connection with the sale of an unauthorized service or product or in a manner not authorized in writing by us.

Your conduct on the Internet, including without limitation, your use of the Marks on the Internet and in domain names for the Internet, is subject to the provisions of the Franchise Agreement. We reserve the right to establish and modify, from time to time, rules which will govern your conduct and use of the Internet in connection with your Action Duct Cleaning franchise business, and you must agree to abide by such rules. At the present time, only Action Duct Cleaning is permitted to maintain a website promoting the franchise system. Your rights to use the Marks and our Business System on the Internet will terminate when the Franchise Agreement terminates or expires.

You must notify us immediately if you learn about an infringement of, or challenge to your use of any of our trademarks. We will protect your right to use our marks and will defend you from claims of infringement or unfair competition arising out of your proper use of the marks.

You must modify or discontinue the use of a service mark or trademark if we modify or discontinue it. If this happens, we will reimburse you for your tangible costs of compliance that have been pre-approved by us in excess of $2,500 (i.e., reprinting marketing materials). You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of the Action Duct Cleaning trade or service mark(s). No agreements limit our right to use or license the use of this trademark.

There are no currently effective material determinations of the Patent and Trademark office, Trademark Trial and Appeal Board, the Trademark Administrator of any State or any court, pending infringement, opposition or cancellation, or pending material litigation involving our principal trademark, "Action Duct Cleaning."

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You may use the proprietary information in our Manuals described in Item 11. Although we have not filed an application for a copyright registration for the Manuals, we claim a copyright, and the information is proprietary. You are obligated to tell us if you learn about unauthorized use of our proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate.

We do not own any patents and there are no applications pending for patent rights material to this franchise.

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

We do not require that you personally supervise the franchised business. The business must be directly supervised, on a day-to-day basis, by you or a manager who has successfully completed our training program within 30 days of accepting the responsibilities of manager. The manager may not have an interest or business relationship with any of our business competitors. The manager need not have an ownership interest in a corporate or partnership-run franchise. The manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17.

Upon death or permanent disability (as reasonably determined by an independent third party such as a licensed medical doctor) of any Owner of a controlling interest in your Franchise or the trained general manager, a new general manager must be hired and will have 90 days to complete the initial Franchise Training Program.

Each individual who owns a 5% or greater interest in the franchise entity must sign a Guarantee, assuming and agreeing to discharge all obligations of the "Franchisee" under the Franchise Agreement. (See Addendum D to the Franchise Agreement.)

16. RESTRICTIONS OF WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only the services and products that we have approved. By your first anniversary of operations, you must be prepared to offer all the types of services that you are equipped and trained to perform as defined in the Operations Manual. There is no limitation of our right to modify the list of approved services and products that you must provide.

17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 8	The term is 10 years.
b. Renewal or extension of the term	Section 8	If you are in good standing you can renew for additional 10 year terms.
c. Requirements for franchisee to renew or extend	Section 8	Sign new agreement and pay renewal fee. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of the Territory will remain the same, and Continuing Royalty on renewal will not be greater than the Continuing Royalty that we then impose on similarly-situated renewing franchisees.
d. Termination by franchisee	Sections 3 & 9A	Not Permitted
e. Termination by franchisor without cause	Section 9B	Not Permitted
f. Termination by franchisor with cause	Section 9B	We can terminate only if you default.

Provision	Section in Franchise or Other Agreement	Summary
g. "Cause" defined–curable defaults	Section 9B	Curable defaults: failure to open your franchise within 90 days of signing your Franchise Agreement, non-payment of fees, non-reporting, failure to meet Franchise Agreement standards, non-compliance with local law, poor business practices (as defined), failure to obtain non-compete agreements from managers, or operating a similar business in another name or outside of your Protected Territory.
h. "Cause" defined–non-curable defaults	Section 9B	Non-curable defaults: conviction of felony, repeated defaults of our agreements (even if cured), abandonment, trademark misuse, unapproved transfers, bankruptcy, insolvency, or false statements on applications or reports.
i. Franchisee's obligations on termination/non-renewal	Section 10	Obligations include complete de-identification and payment of amounts due (see also r, below).
j. Assignment of contract by franchisor	Section 11C	We may assign our rights.
k. "Transfer" by franchisee–defined	Section 11B	Includes transfer of contract, or assets, or ownership change
l. Franchisor approval of transfer by franchisee	Section 11B	We have the right to approve all transfers but we will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 11B	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, all fees owed by you paid, and current agreement signed by new franchisee (also see r, below).
n. Franchisor's right of first refusal to acquire franchisee's business	Section 11E	Right of first refusal is reserved by us. We will have 10 days to notify you of our intention to meet the terms of a buyer and 60 days to complete a purchase.
o. Franchisor's option to purchase franchisee's business	Section 11E	Right to purchase the assets of the Franchisee at the same price and on the same terms as any other party.
p. Death or disability of franchisee	Sections 11 and 11B	Your estate and/or beneficiaries may inherit your rights as long as a qualified manager runs your franchise.
q. Non-competition covenants during the term of the franchise	Section 15	No involvement in competing business anywhere in the U.S., Canada, or Mexico.
r. Non-competition covenants after the franchise is terminated or expires	Section 15	You may not own nor manage a competing business for 2 years within 100 miles of your protected territory (including after assignment).
s. Modification of the agreement	Section 16	No modifications generally unless agreed to in writing by both parties but Operations Manual is subject to change.
t. Integration/merger clause	Section 16	Only the terms of the franchise agreement and other related written agreements are binding (subject to state law). Any other representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by mediation or arbitration	Section 18	Except for certain claims, all disputes must be first mediated, then arbitrated in Altadena, CA. SUBJECT TO APPLICABLE STATE LAW
v. Choice of forum	Section 20	Litigation must be in the United States District Court for the California Central District of the Ninth Circuit, or the State Court in Los Angeles County, CA. These provisions are subject to applicable state law. SUBJECT TO APPLICABLE STATE LAW
w. Choice of law	Section 20	California law applies. This provision is subject to applicable state law. SUBJECT TO APPLICABLE STATE LAW

18. PUBLIC FIGURES

We do not use any celebrities or public figures to promote our franchise to the public at large or to those considering purchasing our franchises.

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.

Except as set forth below, we do not furnish nor authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of an Action Duct Cleaning franchise.

The information below is based upon the performance of our affiliate, Action Duct Cleaning Company, Inc. which provides services similar to those offered to prospective franchisees through this Disclosure Document to residences and businesses. The first Action Duct Cleaning business opened in 1978 in Los Angeles, CA and, utilizing two branch managers, it provided services in multiple sites in several California counties in subsequent years. In late 2018 and early 2019, the two branches were sold to their managers and the 2019 Revenues shown below reflect just the headquarters results and do not reflect the franchisees activities.

Written substantiation for this Financial Performance Representation is available to you upon reasonable request.

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll earn as much.

ACTION DUCT CLEANING COMPANY, INC
Actual Results of Affiliate's Operations
for Calendar Years Ended December 31, 2017, 2018 and 2019

	Calendar Year 2017	Percentage	Calendar Year 2018	Percentage	Calendar Year 2019	Percentage
Revenues	$ 3,285,909	100.0%	$ 3,669,655	100.0%	$ 3,578,459	100.0%
Production Labor Costs	$ 1,801,438	54.8%	$ 2,035,883	55.5%	$ 1,742,923	48.7%
Other Direct Costs	$ 203,901	6.2%	$ 365,284	10.0%	$ 332,691	9.3%
Total Costs of Sales	$ 2,005,339	61.0%	$ 2,401,167	65.4%	$ 2,075,614	58.0%
Gross Profit	$ 1,280,570	39.0%	$ 1,268,488	34.6%	$ 1,502,845	42.0%

[1]These Revenue Receipts are based on the jobs completed by our affiliate's business during the calendar years ending December 31, 2017, 2018 and 2019. Our affiliate was founded in 1978 and operates primarily in Los Angeles County in California with a population in excess of 10.1 million

residents while your franchise will be restricted to a territory defined by counties or zip codes containing a population base closer to one million residents.

[2] General and Administrative Expenses vary widely from market to market and we have not attempted to estimate these. These expenses include: Telephone, Repairs and Maintenance, Supplies, Insurance, Office Expenses, Sales Commissions, Interest, Licenses & Fees, Costs of State and Local Business Licenses, Rent (if operating outside your home), Utilities, Bank Fees, Credit Card Fees, Administrative Payroll Including Payroll Taxes, Accounting & Legal, Depreciation and Amortization, Royalties - Varies by Sales, National Advertising - Varies by Sales, Local Advertising, and Others.

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

20. OUTLETS AND FRANCHISEE INFORMATION

ITEM 20 TABLE NO. 1
Systemwide Outlet Summary
For Years 2017 to 2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	0	0	0
	2018	0	1	+1
	2019	1	3	+2
Company-Owned*	2017	3	3	0
	2018	3	2	-1
	2019	2	1	-1
Total Outlets	2017	3	3	0
	2018	3	3	0
	2019	3	4	+1

*These offices are owned and operated by our Affiliate, Action Duct Cleaning Company, Inc. based at 2333 Lincoln Avenue, Altadena, CA 91001. During 2018 the Orange County office was sold as a franchise to the Branch Manager of that location and in early 2019, the Riverside County was sold to its Branch Manager.

ITEM 20 TABLE NO. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2017 to 2019

State	Year	Number of Transfers
None	2017	0
	2018	0
	2019	0

Total	2017	0
	2018	0
	2019	0

ITEM 20 TABLE NO. 3
Status of Franchised Outlets
For Years 2017 to 2019

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
California	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	1	0	0	0	0	2
Missouri	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Totals	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	2	0	0	0	0	3

ITEM 20 TABLE NO. 4
Status of Company-Owned Outlets
For Years 2017 to 2019

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
California	2017	3	0	0	0	0	3
	2018	3	0	0	0	1	2
	2019	2	0	0	0	1	1
Totals	2017	3	0	0	0	0	3
	2018	3	0	0	0	1	2
	2019	2	0	0	0	1	1

During 2018 the Orange County office was sold as a franchise to the Branch Manager of that location.
During 2019 the Riverside/San Bernardino Counties office was sold as a franchise to the Branch Manager of that location.

ITEM 20 TABLE NO. 5
Projected Openings as of December 31, 2019

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Arizona	0	1	0
Totals	0	3	0

We began offering Franchises effective on January 24, 2018. As of December 31, 2019, there were no franchisees whose franchise was, within the twelve-month period immediately preceding the date of this Disclosure Document, been terminated, canceled, not renewed or, who has, during the same time period, otherwise voluntarily or involuntarily ceased to do business pursuant to the Franchise Agreement, or has any franchisee failed to communicate with us within the ten weeks prior to the date of application of this registration.

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

During the last three fiscal years, we have not signed any confidentiality clauses with any current or former licensees or franchisees which would in any way restrict their ability to speak with you openly about their experience with Action Duct Cleaning Franchises.

There are no trademark specific franchisee organizations associated with the franchise system, nor are there any independent franchisee organizations that have asked to be included in this disclosure document.

21. FINANCIAL STATEMENTS

The company's Audited Initial Financial Statements at December 31, 2017, December 31, 2018 and December 31, 2019. The franchisor was incorporated on October 16, 2017 and it has no prior financial statements. The fiscal year ends on December 31.

22. CONTRACTS

Attached hereto are the following documents associated with this franchise offering:

EXHIBIT F – Franchise Agreement
- Addendum A – Franchisee's Protected Area
- Addendum B – Closing Acknowledgments
- Addendum C – Approved Location and Protected Territory Acknowledgment
- Addendum D – Guaranty
- Addendum E – State Law Addendum
- Addendum F – Bank Authorization Form
- Addendum G – Collateral Assignment of Lease
- Addendum H – Assignment of Telephone Numbers and Listings
- Addendum I – Sample Non-Disclosure and Non-Competition Provisions for General Managers
- Addendum J – Sample Promissory Note

23. RECEIPT

The last two pages of this Disclosure Document are duplicate copies of our Receipt acknowledging that you have received this Disclosure Document. You are required to sign each Receipt and return one copy to us at the address on the cover of this Disclosure Document.

EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT

Financial Statements

ACTION DUCT CLEANING FRANCHISING, INC.

Audited Financial Statements
December 31, 2017, December 31, 2018
and December 31, 2019

ACTION DUCT CLEANING FRANCHISING, INC.

FINANCIAL REPORT

AS OF DECEMBER 31, 2019

Action Duct
Cleaning Company

ACTION DUCT CLEANING FRANCHISING, INC.

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REESE
CPA LLC

Independent Auditor's Report

To the Stockholders
Action Duct Cleaning Franchising, Inc.
Altadena, CA 91001

We have audited the accompanying balance sheets of Action Duct Cleaning Franchising, Inc. as of December 31, 2019 and 2018 and the related statement of operations, stockholders' equity and cash flows for the years ended December 31, 2019 and 2018 and the period from October 16, 2017 (Inception) through December 31, 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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 consolidated 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 above present fairly, in all material respects, the financial position of Action Duct Cleaning Franchising, Inc. as of December 31, 2019 and 2018 and the results of their operations and their cash flows for the years ended December 31, 2019 and 2018 and the period from October 16, 2017 (Inception) through December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

Reese CPA LLC

Thornton, Colorado
April 3, 2020

15953 Fillmore Street • Thornton, CO 80602
Office: (303) 999-6485 • Fax (303) 374-2328

ACTION DUCT CLEANING FRANCHISING, INC.
BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	$ 28,982	$ 25,230
Accounts receivable	15,941	-
TOTAL CURRENT ASSETS	44,923	25,230
INTANGIBLE ASSETS, NET	36,401	45,591
TOTAL ASSETS	$ 81,324	$ 70,821
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES		
Taxes payable	$ 2,811	$ -
LONG-TERM LIABILITIES		
Deferred tax liability	10,862	-
TOTAL LIABILITIES	13,673	-
STOCKHOLDERS' EQUITY		
Common Stock, no par value, authorized shares 1,500 issued and outstanding 1,500 shares	22,700	22,700
Additional paid-in capital	18,246	18,246
Retained earnings	26,705	29,875
TOTAL STOCKHOLDERS' EQUITY	67,651	70,821
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 81,324	$ 70,821

The accompanying notes are an integral part of these financial statements.

ACTION DUCT CLEANING FRANCHISING, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2019 AND 2018 AND
PERIOD FROM OCTOBER 16, 2017 THROUGH DECEMBER 31, 2017

	2019	2018	2017
REVENUES			
Royalty fees	$ 218,176	$ 31,230	$ -
TOTAL REVENUE	218,176	31,230	-
OPERATING EXPENSES			
Marketing and advertising	8,395	-	-
General and administrative	11,749	555	-
Professional fees	2,689	-	-
Amortization	9,190	-	-
Management fee	148,350	-	-
TOTAL OPERATING EXPENSE	180,373	555	-
OPERATING INCOME	37,803	30,675	-
OTHER EXPENSES			
Tax expense	(14,973)	(800)	-
NET INCOME	$ 22,830	$ 29,875	$ -

The accompanying notes are an integral part of these financial statements.

ACTION DUCT CLEANING FRANCHISING, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 AND
THE PERIOD FROM OCTOBER 16, 2017 THROUGH DECEMBER 31, 2017

	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
INCEPTION, OCTOBER 16, 2017	-	$ -		$ -	$ -
Net income	-	-	-	-	-
BALANCE, DECEMBER 31, 2017	-	-	-	-	-
Issuance of common stock	1,500	22,700	-	-	22,700
Contributed capital	-	-	18,246	-	18,246
Net income	-	-	-	29,875	29,875
BALANCE, DECEMBER 31, 2018	1,500	22,700	18,246	29,875	70,821
Dividends paid	-	-	-	(26,000)	(26,000)
Net income	-	-	-	22,830	22,830
BALANCE, DECEMBER 31, 2019	1,500	22,700	18,246	26,705	67,651

The accompanying notes are an integral part of these financial statements.

ACTION DUCT CLEANING FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018 AND
PERIOD FROM OCTOBER 16, 2017 THROUGH DECEMBER 31, 2017

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 22,830	$ 29,875	$ -
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	9,190	-	-
Deferred tax provision	10,862	-	-
Changes in assets and liabilities			
Accounts receivable	(15,941)	-	-
Taxes payable	2,811	-	-
Net cash provided by operating activities	29,752	29,875	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of franchise development costs	-	(45,591)	
Net cash used by investing activities	-	(45,591)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock	-	22,700	-
Contributed capital	-	18,246	
Cash paid for dividends	(26,000)	-	
Net cash (used in) provided by financing activities	(26,000)	40,946	-
NET INCREASE IN CASH	3,752	25,230	-
CASH, beginning of year	25,230	-	-
CASH, end of year	$ 28,982	$ 25,230	$ -
SUPPLEMENTAL DISCLOSURES			
Cash paid for interest	$ -	$ -	$ -
Cash paid for taxes	$ 800	$ 800	$ -

The accompanying notes are an integral part of these financial statements.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Action Duct Cleaning Franchising, Inc. ("Company") was formed on October 16, 2017, in the State of California as a corporation. The Company grants franchises to qualified persons or business entities to operate a business providing a wide variety of cleaning services of air handling systems for residential and commercial properties under the name of "Action Duct Cleaning" in a protected territory.

The Company has one affiliate. Action Duct Cleaning Company ("ADCC") was incorporated in the state of California in 1984 and operates a business providing cleaning services similar to the franchised business.

The following table summarizes the number of units owned and operating for the years and the period ended December 31:

	2019	2018	2017
Units in operation, beginning	3	3	3
Units opened	1	-	-
Units terminated or closed	-	-	-
Units in operation, ending	4	3	3
Franchised units	3	1	-
Affiliate owned units	1	2	3

A summary of significant accounting policies follows:

Reporting Period

The Company was formed on October 16, 2017 and the reporting period for 2017 was from October 16, 2017 through December 31, 2017.

Use of Estimates

Preparation of the Company's financial statements in accordance with generally accepted accounting principles 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 with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2019 and 2018.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable arise in the normal course of business through franchise sales and royalties earned. 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 subsequent to 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 have any allowance for doubtful accounts as of December 31, 2019 and 2018 and did not charge-off any accounts receivable during years ended December 31, 2019 and 2018 and the period ended December 31, 2017.

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 three to seven years). The Company had no property, plant & equipment at December 31, 2019 and 2018.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives (such as franchise development cost) no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. The Company has established an intangible asset for franchise development costs which is being amortized over its estimated useful life of five years.

Income Taxes

The Company has adopted the liability method of accounting for income taxes ASC 740, "Income Taxes." Under ASC 740, deferred income taxes are recorded to reflect tax consequences on future years for the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

The Company adopted the provisions ASC 740-10-25 "Accounting for Uncertainty in Income Taxes," (formerly "FIN 48"). This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Company did not make any adjustment to opening retained earnings as a result of the implementation.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the Company's shareholders. The Company's evaluation was performed for the years ended December 31, 2019 and 2018 and the period ended December 31, 2017 for U.S. Federal Income Tax and for the State of California Income Tax.

Revenue Recognition

When an Action Duct Cleaning franchise is sold, the Company agrees to provide certain services to the franchisee. Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each performance 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.

Revenue from initial franchise fees is allocated to the performance obligations in the franchise agreement that are distinct from the symbolic intellectual property. These primarily include , training services, opening support services, opening marketing assistance and franchisee acquisition and acceptance. The amount allocated to each identified performance obligation is determined using the cost-plus 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. Performance obligations that are normally satisfied by the opening of the franchised business to the public are determined to be earned during the period from the execution of the contract to the opening of the franchised business which is generally less than one year. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract which is currently 10 years. Incremental costs of obtaining a franchise agreement with a franchisee related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as franchise related costs over the same term as the related performance obligation which is currently 10 years.

Revenues from continuing royalties are between 8% and 10% of annual gross receipts depending on the volume of annual gross revenues, subject to minimum royalties as defined in the franchise agreement. The continuing royalties are billed monthly and are recognized as revenue by the Company when due and billed.

Advertising Fund Contribution

The Company may establish a national advertising fund contribution to provide regional and national advertising for the benefit of the franchisees. The advertising fee is to be collected monthly and is 2% of the gross revenue. The Company is not currently collecting this fee.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2019 and 2018 and the period ended December 31, 2017 was $1,150, $0 and $0, respectively

Fair Value of Financial Instruments

For the Company's financial instruments which consist of cash and cash equivalents the carrying amounts approximate fair value due to their short maturities.

Recently issued accounting pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – INTANGIBLE ASSETS

Intangible assets at December 31, 2019 and 2018 consists of the following:

	2019	2018
Franchise Development Costs	$ 45,951	$ 45,591
Accumulated Deprecation	(9,190)	-
	$ 36,401	$ 45,591

Amortization expense was $9,190 and $0 for the years ended December 31, 2019 and 2018. Amortization expense for the next four years is expected to be approximately $9,190 per year.

NOTE 3 - INCOME TAXES

Deferred tax liability and tax expense were not recorded for the period ending December 31, 2018. These amounts are included in the year ended December 31, 2019 in the tables below.

Deferred income tax liability at December 31, 2019 and 2018 consists of the following:

	2019	2018
Deferred tax liability - amortization	$ 10,862	$ -
	$ 10,862	$ -

NOTE 3 - INCOME TAXES (CONTINUED)

The following is a reconciliation of the amount of income tax expense that would result from applying the statutory federal income tax rates to pre-tax income and the reported amount of income tax expense for the year ended and for the period ended December 31:

	2019	2018
Tax expense at federal statutory rates	$ 13,013	$ -
State income tax expense	2,260	800
Other	500	-
Prior year state income tax expense	(800)	-
	$ 14,973	$ 800

NOTE 3 – 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 4 – RELATED PARTY TRANSACTIONS

Management Fee

ADCC provides use of their trademark, and support, training and marketing services on behalf of the Company and the Company pays ADCC. The costs to the Company, including a profit margin, are reported as management fees on the accompanying statements of operations. For the years ended December 31, 2019 and 2018 and the period ended December 31, 2017, the Company incurred expenses related to management fees of $148,350, $0 and $0, respectively.

NOTE 5 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through April 3, 2020, the date on which the financial statements were available to be issued.

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Action Duct Cleaning of Orange County
1719 N. Brigantine Ln.
Orange, CA 92867
714-639-1185
Territory Served:
Orange County, California

Action Duct Cleaning of the Inland Empire
1326 West Goodhue Ave.
Anaheim, CA 92802
951-582-9046
Territory Served:
Riverside and San Bernardino Counties, California

Action Duct Cleaning of the St. Louis
313 Lemonwood Dr.
St. Peters, MO 63376
636-634-0438
Territory Served:
St. Louis and St. Charles Counties, California

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

California

Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-1105
(213) 736-2741, also 1-866 ASK-CORP (1-866-275-2677)

Hawaii

Department of Commerce & Consumer Affairs
335 Merchant Street
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

Franchise Division
Office of Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

Indiana

Agent

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

Administrator

Securities Commissioner
Indiana Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

Maryland

Agent for Service of Process

Maryland Securities Commissioner
200 St. Paul Place, 20th Floor
Baltimore, Maryland 21202-2020
(410) 576-7044

Inquiries About Franchise Matters

Office of Attorney General
Division of Securities
200 St. Paul Place, 20th Floor
Baltimore, Maryland 21202-2020
(410) 576-7044

Michigan

Franchise Administrator
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Dept. Of Attorney General
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

Minnesota

Minnesota Dept. Of Commerce
85 Seventh Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

New York

Administrator
Office of the New York State Attorney General
Investor Protection Bureau of Franchise Section
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 Phone
(212) 416-6042 Fax

Agent for Service
Attention: New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

North Dakota

Office of Securities Commissioner
Fifth Floor
600 East Boulevard
Bismarck, North Dakota 58505
(701) 224-4712

Rhode Island

Division of Securities
Suite 232
233 Richmond Street
Providence, Rhode Island 02903
(401) 277-3048

South Dakota

Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501
(605) 773-4013

Virginia

Agent for Service of Process

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

Inquiries About Franchise Matters

Securities and Retail Franchising Division
State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

Washington

Department of Financial Institutions
Securities Division
P.O.Box 9033
Olympia, Washington 98507-9033
(206) 753-6928

Wisconsin

Securities & Franchise Registration
Wisconsin Securities Commission
P.O.Box 1768
Madison, Wisconsin 53701
(608) 266-8559

EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT

STATE-SPECIFIC AMENDMENTS

The following information supplements our Franchise Disclosure Document and supersedes any conflicting information contained in the main body of the Disclosure Document.

FOR RESIDENTS OF THE STATE OF CALIFORNIA

For franchisees in California, payment of initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, transfer or non-renewal of a franchise. If a franchise agreement contains a provision that is inconsistent with the law, the law still controls.

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 states that late fees and interest will be charged when payments to the Franchisor are received past the agreed upon due date. These rates may exceed those permitted by California Law. The highest rate allowed in California at the date of this Disclosure Document is 10% per annum.

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

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

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.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

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.

Illinois State Law Appendix

The conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Illinois Law, ILCS 705/19 and 705/20.

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act is void."

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the state of Illinois, and any and all disputes between the parties shall be resolved within the state of Illinois, whether by mediation, arbitration or litigation.

BY EXECUTING THIS APPENDIX, THE PARTIES HERETO MAKE THIS APPENDIX A PART OF THE ACCOMPANYING FRANCHISE AGREEMENT, AND INCORPORATE THIS APPENDIX THEREIN.

____________________________________ ____________________________________

Franchisee Date Franchisor Date

Minnesota State Law Appendix

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

BY EXECUTING THIS APPENDIX, THE PARTIES HERETO MAKE THIS APPENDIX A PART OF THE ACCOMPANYING FRANCHISE AGREEMENT, AND INCORPORATE THIS APPENDIX THEREIN.

Washington State Law Appendix

The state of Washington has a statute, RCW 19.100.180, which 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 involving a franchise purchased in Washington, the arbitration shall be either in the state of Washington, or a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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 of 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.

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT

ACTION DUCT
CLEANING COMPANY

OPERATIONS MANUAL

Table of Contents - 155 Pages

ACTION DUCT
CLEANING COMPANY

Policy and Procedures Manual

Table of Contents 168 Pages

EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT

Franchise Agreement
(with Addenda)

ACTION DUCT CLEANING FRANCHISING, INC.

ACTION DUCT CLEANING FRANCHISING, INC.
FRANCHISE AGREEMENT
TABLE OF CONTENTS

ACTION DUCT CLEANING FRANCHISING, INC.

FRANCHISE AGREEMENT

AGREEMENT made this _________ day of ______________, 20___ by and between Action Duct Cleaning Franchising, Inc., a California Corporation, having its principal place of business at 2333 Lincoln Avenue, Altadena, CA 91001. (hereinafter referred to as "Franchisor") and

____

of____ in

the State of ________________, (hereinafter referred to as "Franchisee").

WHEREAS, Franchisor has acquired experience, skills and knowledge with reference to the development, opening and operation of a service company offering a broad base of cleaning services for air handling and related equipment for both residential and commercial property owners under the Action Duct Cleaning logo; and

WHEREAS, Franchisor is the sole owner to the right, title and interest in using in franchising the trademark "**Action Duct Cleaning**" which our affiliate has registered a federal trademarkwith the United States Patent and Trademark Office Principal Register. The Registration Number 5517933 was granted on July 17, 2018.

WHEREAS, Franchisee desires to obtain from Franchisor a franchise to operate an Action Duct Cleaning business from one location and in connection therewith to use the Trademark, to employ the Franchisor's approved business model, techniques, product lines, and systems, and to benefit from its experience and knowledge;

NOW, THEREFORE, the parties hereto, in consideration of their mutual promises herein contained, and for other good and valuable consideration acknowledged by them to be adequate, do hereby agree as follows:

1. APPOINTMENT

A. Franchisor hereby grants unto Franchisee and Franchisee hereby accepts the right, license and privilege to use and benefit from the Franchisor's techniques, skills, experience, knowledge, and the Proprietary Marks in the operation of an Action Duct Cleaning business under the conditions hereinafter set forth. Franchisor further grants to Franchisee the right to operate its business only from one approved site within the Protected Area described in Addendum A although franchisee has the right to provide cleaning and related services at any facilities within Franchisee's Protected Territory. Franchisee is specifically forbidden from offering services within the territory of another franchisee, the Franchisor or its affiliate(s). Franchisee may offer services in areas that are not within another Franchisee's territory but if that territory is sold to a franchisee in the future, any clients or contracts existing within that territory must be assigned to the new owner.

Initials

The term "franchise" as used herein shall mean either the right, license or privilege so granted hereunder, or the business to be operated by the Franchisee, or both, as the context would so dictate.

Franchisee acknowledges that it has no exclusive rights to use any of the Marks or any part of the franchised system anywhere other than from one approved office site within the franchisee's Protected Territory described herein, and Franchisor may license to others, or use the Marks itself, outside of the franchisee's Protected geographical Territory in any manner it chooses, in its sole discretion.

So long as Franchisee is in full compliance with this Agreement, Franchisor will not establish other franchises or company-owned businesses operating a duct cleaning business providing HVAC duct cleaning, dryer duct cleaning, kitchen exhaust cleaning, industrial oven cleaning, industrial silo cleaning, chimney cleaning, gutter cleaning, Aeroseal duct sealing and related services under the Action Duct Cleaning marks or under a different trade name or trademark in Franchisee's Protected Territory.

B. Subject to availability, Franchisee may purchase additional franchises, at a rate of ninety percent (90%) of the rate being charged new franchisees at the time of Franchisee's purchase, if Franchisee is in compliance with the terms of this agreement and any other agreements between the Franchisor and the Franchisee.

2. SITE SELECTION AND PROTECTED TERRITORY

The Franchisee must operate this business from an office in the owner's residence or from a commercial site accepted by the Franchisor in writing that is in compliance with local business codes and within the Franchisee's Protected Area which is defined in Addendum A.

Franchisee is free to market Action Duct Cleaning services, services and products only from one office within the Protected Territory. If Franchisee or Franchisor receive a request for services within Franchisee's territory that Franchisee is not equipped nor trained to perform, or if Franchisee refuses to perform, Franchisor reserves the right to service that account itself or assign it to an affiliate, another franchisee or some other entity, without compensating Franchisee. Franchisee may not, unless in conjunction with other Action Duct Cleaning Franchisees, advertise in telephone, internet or similar directories that target areas outside of Franchisee's Protected Territory nor establish mailing addresses for the Action Duct Cleaning business or make other representations to potential clients that would lead others to believe that Franchisee has facilities or authorization to operate outside of its Protected Territory.

3. INITIAL FRANCHISE FEE AND RELATED CHARGES

In consideration of the franchise and rights granted to Franchisee herein, Franchisee shall pay to Franchisor an Initial Franchise Fee of $____________________ for the rights to open one Action Duct Cleaning business within the Protected Territory as defined in Addendum A. For franchisees in California, payment of initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business. Payment of this fee shall be deemed earned and non-refundable upon payment.

Initials

4. OBLIGATIONS OF THE FRANCHISOR

Franchisor hereby agrees to do the following:

A. Training. Franchisor will conduct or arrange for the following training programs for Franchisee:

(i) "Action Duct Cleaning Academy" This 10-day long program covers basic management and operation of an Action Duct Cleaning business and is conducted at or near Franchisor’s Headquarters in Altadena, CA. Only Franchise owner(s) and Franchise General Managers may attend this program. Franchise General Managers shall not function in such capacity without having successfully completed such training program within thirty (30) days of hire or engagement. "Franchise owner(s)" shall mean partners, principal shareholders, officers, members or proprietors of the Franchise, as the case may be, according to the type of franchise business organization. The training program must be successfully completed prior to commencement of the franchise business. Failure by Franchisee (or its designee) to successfully complete such program may result in termination of this Franchise Agreement. Each Franchisee shall have the right to enroll two (2) people in this school at no additional charge. The fee for training more than two owners or managers is currently $750 per attendee, but is subject to change.

The duration, location and content of the training programs are established by the Franchisor and may be modified, including any fees, in the sole discretion of the Franchisor. If Franchisee seeks to have additional managers trained in excess of the limits stated above, they must be approved by Franchisor and the applicable training fees must be paid in advance. Travel, accommodations, payroll, worker’s compensation insurance and related expenses for all persons attending any of Franchisor's training courses shall be borne solely by Franchisee.

(ii) Advisory Service. Franchisor will provide a continuing advisory service which will include, but not be limited to, training in professional cleaning techniques, consultation on recruiting and training technicians to meet client needs, coaching on sales, marketing, business or technical problems with an analysis of Franchisee's key business ratios. Franchisor may offer additional training and establish prerequisites or qualifications for those seeking to enroll in any such additional training course. Franchisor may furnish Franchisee with certain training aids for Franchisee to provide basic training to Franchisee's personnel without charge.

(iii) If Franchisor deems it appropriate, it may provide a competency examination to test the knowledge and skills in any of the above areas of expertise. A candidate passing such examination will have all rights and privileges as those who have successfully completed the related training program.

B. Operations Material. Franchisor will make available, at no additional cost to Franchisee, its confidential Operations Manuals and training material together with any revisions or amendments thereto which may be made by Franchisor from time to time during the term of this Agreement. Franchisor will regularly review new services and products for Franchisee to deliver to its customers. When a minimum of ten (10) Franchises are in operation, Franchisor may hold an annual convention for all Franchisees to attend in order to gain additional knowledge in the industry. Franchisee may be charged a fee to attend said convention and will be responsible for travel and lodging expenses while attending such conferences.

Initials

C. Approved Products. Any advertising or marketing brochures, teaching materials or products that are used within the Franchisee's business or sold to customers, must be approved by Franchisor, in writing, before use.

D. Site Selection. Subject to Section 2, Franchisee shall be responsible for researching its local market to find one or more potential sites for its Action Duct Cleaning business based on criteria as established by Franchisor. Franchisor will advise Franchisee in the selection of a suitable territory, determining the best site for the business, whether a home-office or a commercial location, and provide lists of approved equipment, recruiting and marketing aids, and supplies for the franchised business. Whether Franchisee chooses to operate from home or rent from others, Franchisor will review details of the location as to suitability, but Franchisor approval of the site is not required, as long as it is located within the Territory. The ultimate decision of where to locate its Action Duct Cleaning business is the responsibility of Franchisee and the Franchisor may not be held liable for a site that is ultimately unsuccessful. Franchisee is responsible for researching local ordinances and building codes.

E. Promotion. Subject to this Agreement, Franchisor agrees to provide advice and training in methods for selling, advertising, promoting and developing the franchised business. From time to time Franchisor may develop marketing materials and newsletters to assist Franchisee in promoting its Action Duct Cleaning products and services. Samples of such materials will be given to Franchisee and additional quantities may be purchased from the Franchisor or other vendors. If Franchisor elects to establish an Advertising Fee, it will assist those charged with administering the Fee with developing advertising promotions and materials.

F. Website Customization. Franchisor will add Franchisee's contact information to Franchisor's website a minimum of 15 days prior to the date scheduled by Franchisee to open for business.

5. OBLIGATIONS OF THE FRANCHISEE

A. Training. Pursuant to Sections 4A, Franchisee agrees to attend and cause its designated General Management employee(s) to attend and successfully complete the training programs referred to in Section 4A, in accordance with all of the terms and conditions set forth therein.

B. Development of the Office, Commencement and Continuity of Operation. Franchisee agrees to complete its initial training and open its franchise business within 90 days from the date this Franchise Agreement is signed. Should Franchisee be unable to meet this deadline, Franchisor may grant a 90-day extension if Franchisee submits a written request and includes a satisfactory explanation of its diligent efforts to complete training and open the business.

Franchisee agrees that, if the business will be occupied from leased space, at its expense, to do or cause to be done the following within 120 days following the Effective Date of this Agreement:

i. Deliver to Franchisor for review and approval a completed site approval report and other materials and information as specified in the Operations Manual. Approval of a site that meets the criteria for demographic characteristics, traffic patterns, parking, character of neighborhood, competition from, proximity to, and nature of other businesses, other commercial characteristics, and the site's size, appearance, and other physical characteristics will not be unreasonably withheld;

ii. Deliver the proposed lease with landlord's acceptance of Collateral Assignment of Lease (Addendum G) and other requirements as contained in the Operations Manual for Franchisor's written approval prior to entering into a lease for the site;

iii. Secure all financing required to develop and operate the office;

iv. Obtain all necessary insurance as outlined in Section 5 (L);

v. Obtain all permits and licenses required to construct and operate the office;

vi. Construct, or have constructed, all required improvements to the site and decorate the office in compliance with our approved plans, trade dress, and specifications;

vii. Purchase or lease and install all required equipment, fixtures, furnishings, and signs according to Confidential Operations Manual;

viii. Purchase or lease and install any approved Office Software Management System;

ix. Purchase an opening inventory of required, authorized, and approved products, materials and supplies;

x. Obtain a certificate of occupancy from the city/county/state, as required by Franchisee's jurisdiction.

xi. Open the Franchised business, commence operations and continuously operate the franchised business as outlined in Section 5B.

It is Franchisee's responsibility to prepare all required construction plans and specifications for the office only in accordance with our approved plans and specifications, and to make sure that these plans and specifications comply with the Americans with Disabilities Act (the "ADA") and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. Franchisor may require Franchisee to use architects and contractors designated or approved by us. Franchisee must send Franchisor initial space plans for approval. Franchisee may not begin construction of its office without written approval from Franchisor. Franchisor may inspect the site while Franchisee is developing the office. Any review of the construction plans and specifications will be limited to ensuring Franchisee's compliance with Franchisor's design and other requirements for an Action Duct Cleaning office. Franchisor will not assess compliance with federal, state or local laws and regulations. Compliance with those laws is the Franchisee's responsibility. Any changes that Franchisee makes to the space plans, architectural drawings, construction plans or specifications to comply with applicable laws must be provided to Franchisor for review and written approval.

Once Franchise operations commence, Franchisee agrees to ensure that its phones are answered, either by an employee or electronically during normal business hours. Further, the owner(s) of the Franchise agree(s) to devote his or her full time and efforts to the promotion of the franchise or to have a General Manager devote his or her full time and efforts to the promotion of the success of the franchise. In such latter event, such General Manager must have completed successfully the training courses described in Section 4A.

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Unless otherwise specifically approved by Franchisor, the franchise shall be open for the conduct of business at such times and for the minimum number of hours specified in the Confidential Operations Manual and Franchisee shall at all times staff the business with sufficient employees to operate the business successfully.

Franchisee agrees to notify Franchisor 10 days in advance of any planned closings of the business and within 24 hours of the start of any emergency closings. Failure to communicate reasons and duration for closings may cause the Franchise to be deemed abandoned and suitable remedies may be commenced by Franchisor. In all circumstances, Franchisee agrees to make every reasonable effort to ensure that the Franchise's phones are answered, any scheduled jobs are completed as scheduled, if possible, and inquiries of clients are handled promptly with a lapse of no more than 1 business day.

C. Proprietary Marks.

(i) Franchisee agrees to use the Proprietary Marks so licensed only in accordance with the terms of this Agreement. Franchisee agrees that during the term of this Agreement, and thereafter, Franchisee shall not, directly nor indirectly, contest the validity of ownership by Franchisor of the Proprietary Marks so licensed hereunder. Franchisee further agrees promptly to notify Franchisor of any claim, demand or suit brought upon it by any other person, firm or legal entity to use the Proprietary Marks licensed hereunder.

(ii) Franchisor acknowledges its obligations to police the use of the Proprietary Marks and agrees to do so. Franchisee agrees to promptly notify Franchisor of any claim asserted by any person, firm, legal entity or governmental agency against Franchisee, concerning the use of the Proprietary Marks. The Franchisor will protect Franchisee's right to use the Proprietary Marks and will defend Franchisee from any claims arising out of Franchisee's proper use of the Proprietary Marks. Franchisee agrees to execute, subject to the reasonable approval of counsel for Franchisee, any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor, be necessary to carry out such defense or prosecution, either in the name of Franchisor or in the name of Franchisee, as Franchisor shall, in its sole discretion, determine.

(iii) Franchisee shall not use the Proprietary Marks or any part or form thereof as part of its corporate, partnership, or other business name. Franchisee agrees to obtain the written approval of Franchisor for said name before opening its franchise office and before commencing operations. Franchisee agrees not to use the Proprietary Marks in entering into any agreement or contract of any description, or in incurring any obligation, it being understood that Franchisee is only to use its corporate, partnership or proprietorship name for this purpose. Nothing herein contained shall prevent Franchisee from identifying itself as an Action Duct Cleaning franchisee as specified in Franchisor's confidential Operating Manuals. The use of the Franchisor's Proprietary Marks for operating its Action Duct Cleaning business, for Internet promotion, for business cards and stationery is exemplified in the Franchisor's Operations Manual and Franchisee agrees in so using said Marks to follow exactly the examples and format as set forth in the manuals or in any like materials provided by Franchisor.

(iv) Franchisee agrees to operate, advertise and promote the franchised business under the Proprietary Marks and to carry out its business under said Proprietary Marks in accordance with operational standards established by Franchisor as set forth in the Confidential Operating Manuals or other documents. Franchisee agrees to promote the mark "Action Duct Cleaning" and others instituted from time to time, in all publications, printing, signs and visual images by reproducing said name at least two point sizes larger than any listing of its corporate, partnership, or proprietorship name. Franchisee further agrees to use no type style, color combination

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nor other graphic device to cause its business name, or any other name or design, to gain dominance over the "Action Duct Cleaning" name or any Proprietary Marks utilized.

(v) Franchisee agrees to allow Franchisor, in the sole discretion of Franchisor, to enter and inspect the Franchisee's premises, and to observe the manner in which Franchisee is operating its Action Duct Cleaning business and providing its services to its clientele, it being understood that such rights are important to Franchisor to preserve the integrity of its Proprietary Marks and to make certain that the Franchisee is properly using said Proprietary Marks in the operation of its franchise business.

(vi) Franchisee understands and acknowledges that each and every detail of the Action Duct Cleaning system is important to Franchisor, to Franchisee, and to other licensed Franchisees. In order to develop and maintain uniformity of services, products, and applications, and therefore, to enhance the reputation, trade demand and goodwill of all Action Duct Cleaning Franchisees, Franchisee accordingly covenants:

(a) to advertise and promote his/her franchise under the name “Action Duct Cleaning” or subsequent operating names as instructed by Franchisor’s Operations Manuals, except where otherwise required by law;

(b) to adopt and use the Proprietary Marks licensed hereunder solely in the manner prescribed by Franchisor;

c) to carry out its business under said Proprietary Marks in accordance with operational standards established by Franchisor, and as set forth in the confidential operating manuals and/or other documents; and

(d) to use the Marks on the Internet, and in domain names for the Internet, only under the listings established by Action Duct Cleaning as described in the confidential operating manuals and/or other documents.

(vii) Franchisee acknowledges that valuable goodwill is attached to Franchisor's trademarks, service marks, trade names, and/or copyrights and that it will use them only in the manner and to the extent specifically licensed by this Agreement.

D. Operations.

(i) Franchisee agrees to conduct its franchise in accordance with Franchisor's Confidential Operating Manuals as the same may be revised from time to time. Franchisee further agrees to treat at all times the contents of said manuals as confidential and to reproduce or copy parts thereof only as instructed therein or as otherwise approved by Franchisor. Franchisee and Franchise Owner(s) shall not at any time, either during the term of this Agreement or thereafter, disclose, copy, duplicate, record or otherwise reproduce, in whole or in part, or otherwise make available, any portion of said manuals or confidential information to any unauthorized person or entity. All management personnel shall execute a Non-Disclosure Agreement similar to that attached as Addendum I, the Sample Non-Disclosure and Non-Competition Provisions for General Managers.

(ii) Franchisee acknowledges that said manuals shall at all times remain the sole property of Franchisor, and Franchisee agrees to promptly deliver, neither expecting nor demanding any fees, said manuals and training materials of Franchisor to Franchisor or its designee upon the expiration or other termination of this Agreement.

E. Standards of Quality.

(i) Franchisee agrees to market, sell, train, deliver and operate in its local marketplace, under the Action Duct Cleaning name, in such manner as may be determined by Franchisor, a duct cleaning business providing services for a broad variety of systems and equipment under the Action Duct Cleaning logo only such similar services or products, as will meet the reasonable specifications and standards from time to time designated by Franchisor. Franchisee agrees not to conduct any other business or activity utilizing the same location, equipment, or personnel.

(ii) Franchisee is required to utilize Franchisor's approved cleaning techniques, supplies, inventory and equipment as described in Franchisor's Operations Manuals in the conduct of its business and to purchase supplies, inventory, equipment and materials used in the business from the Franchisor or suppliers approved by Franchisor or from others who provide items of similar quality. Franchisee is not required to purchase supplies, business cards, stationery, brochures or similar items from Franchisor, but the quality of such items must comply with the standards and specifications therefor of Franchisor. Franchisor will provide said quality standards and specifications to Franchisee during initial training.

F. Modification.

Franchisee agrees to operate its franchise using Franchisor's Proprietary Marks, copyrighted materials, and business techniques as existing upon execution of this Agreement. Franchisor may reasonably modify same during the term of this Agreement.

Any changes or modifications to be made to the franchised business as a result of any such modification or development of any of the Proprietary Marks, copyrighted materials, products, equipment or techniques shall be made by Franchisee within two (2) months time after their modification or development at the Franchisee's expense. If Franchisee must modify or discontinue the use of a trademark as a result of changes made by the Franchisor, Franchisor will reimburse Franchisee for its tangible costs of such changes that exceed $2,500. Any such reimbursed expenses must be pre-approved by the Franchisor.

G. Advertising.

(i) Franchisee agrees to submit to Franchisor for its prior written approval all sales promotion materials and advertising to be used by Franchisee to promote its services, including, but not limited to brochures, mailers, door-hangers, signs, website, social media, newspaper, newsletter, video, email promotion, text messages, poster, internet, direct mail, radio and television advertising, specialty and novelty items, stationery and business cards. However, any advertising need not be submitted for the Franchisor's approval if it is prepared in accordance with the Confidential Operations Manuals. Unless written disapproval of said advertising and promotional material is received by Franchisee from Franchisor within 15 days from the date such material is submitted to and received by Franchisor, said material shall be considered approved.

(ii) Franchisee agrees to use the Proprietary Marks in advertising in accordance with the terms of the confidential operating manuals of Franchisor. Examples of advertising contained in such manuals are deemed approved unless otherwise stated in writing by Franchisor.

(iii) Franchisee agrees to execute Franchisor's Grand Opening Advertising program as described in Franchisor's Operations Manuals.

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H. Accounting and Records.

(i) Franchisee agrees to maintain and preserve during the term of the franchise (and for three years thereafter) full, complete and accurate books of account and records of all transactions including client names, addressses, phone numbers, email addresses, receipts, expenses, capital expenses and investments. Franchisee shall submit to Franchisor periodic reports on forms in the manner and at the times specified herein. The required reports as of the date of this Agreement are as follows:

REPORT	**TIME TO SUBMIT**
Royalty Report	On or before the 7th day of the following month
Advertising Fee Report (when in effect)	On or before the 7th day of the following month
Online Access to Accounting and Office Management Software	24/7 through Internet Access to Franchisee's Accounting software and computer databases
Monthly Profit and Loss Statement and Balance Sheet	On or before the 20th of the following month
Annual Profit & Loss Statement Balance Sheet, and Tax Returns of the Franchised Business	On or before the 60th day following Franchisee's Fiscal Year End

(ii) All records, ledgers and other documents of the franchised business shall be made available for audit or inspection by Franchisor (or its designee) during normal business hours upon reasonable notice by Franchisor or its designee. If Franchisee fails or refuses to permit such an audit or inspection, Franchisee agrees to pay Franchisor its expenses incurred in connection with such attempted inspection or audit.

(iii) Franchisor may cause an audit to be conducted on the books and records of Franchisee by a qualified party chosen by Franchisor. If the audit was performed due to the Franchisee's failure to report total gross receipts or provide other reports or tax returns as required above or if the audit establishes that Franchisee understated total gross receipts (as defined in Section 6A) to Franchisor for any period by more than three per cent (3%) of the amount of actual total gross receipts, Franchisee shall pay for the cost of the audit, and shall pay as liquidated damages a sum equal to 15% of the additional Royalty Fees due for the period so audited. Any unpaid royalties revealed by such an audit shall bear interest at a rate of 18% per annum from the date payment was due. Payments for such fees, including the unpaid royalty, must be received by Franchisor within three (3) days of the date that Franchisee receives written notice that such payments are due to avoid further penalties, interest and possible termination. Franchisee shall maintain the funds, books and records of the franchised business separate from and independent of all other funds, business and personal records of Franchisee and franchise owner(s). If there is any commingling of such funds or books and records, then Franchisor's rights of audit and inspection granted hereunder also shall apply to such other business and personal records (including banking and financial information) of Franchisee and franchise owner(s).

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I. Insurance.

Franchisee, at Franchisee's sole expense, agrees to maintain adequate insurance and indemnity coverage throughout the term of this agreement and any extension thereof with an insurance carrier having an A VIII or better rating with the Alfred M. Best & Company, Inc. Franchisee acknowledges that this requirement shall in no way be construed as making Franchisee the agent of Franchisor. Franchisee agrees to provide the following coverages (insurance limits specified are minimum recommended limits and are subject to change from time to time) and in connection therewith to identify the Franchisor as a named insured to the extent of its interest:

1. Comprehensive blanket general public liability insurance, including abuse and molestation liability insurance, to be maintained against claims for personal injury, death or property damage suffered by others upon, in or about the premises or occurring as a result of the actions or inactions of any employee, independent contractor, or agent or as a result of the use of the services rendered by it or any claims arising out of the Business pursuant to this Agreement or the operation of the Action Duct Cleaning business with a single bodily injury and property damage limit of at least $1,000,000, per occurrence and $2,000,000 in the aggregate;

2. Coverage for fire, vandalism, theft, burglary liability with limits of not less than ninety percent (90%) of the replacement value of Franchisee's leasehold improvements, furniture, fixtures, equipment, and inventory.

3. Workers' compensation insurance coverage (when required) offering Benefits per State requirements for injured Employees; and Employers Liability Limit of $100,000 per Injury, $500,000 Policy Limit and $100,000 Per Employee;

4. Automobile liability for owned, leased, hired and non-owned vehicles with recommended limits of at least $1,000,000 combined single limit per state Medical/Personal Injury Protection and $1,000,000 Uninsured/Underinsured Motorist;

5. Any and all bonds required by state law.

Prior to the opening of the franchise business, Franchisee shall deliver to Franchisor certificates or policies evidencing that such insurance is in full force and effect, and each year during the term of this Agreement, upon Franchisor's request, Franchisee shall furnish to Franchisor premium receipts or other satisfactory evidence that such policies have continued in effect. Should Franchisee fail to maintain the required insurance, or furnish proof thereof, the Franchisor has the option to obtain such insurance for the Franchisee at the sole cost of the Franchisee. Franchisee shall promptly notify Franchisor of any and all claims under said policies of insurance against Franchisee, Franchisor and/or employees or agents of either.

J. Taxes, Payments and Compliance with Law.

(i) Franchisee shall promptly pay when due all taxes and assessments in connection with Franchisee's business, its premises, and equipment; shall cause to be immediately discharged all liens or encumbrances of every kind or character created or placed upon or against any of said property other than in the normal course of business; and shall pay when due all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of said Franchise. Franchisee is not obligated to make payments hereunder if Franchisee is legitimately contesting such taxes, assessments, liens, encumbrances, accounts or indebtedness; however, Franchisee shall promptly pay such items once they do become finally uncontested and determined.

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(ii) Franchisee shall comply with all applicable federal, state and local laws and regulations, and shall obtain and maintain on a timely basis any and all permits, certificates, bonds, or licenses necessary for the full and proper conduct of its franchise. This shall include, but not be limited to, any business, or other licenses required by the laws of any applicable jurisdiction.

K. Maintenance, Repairs, and Refurbishment

(i) Franchisee must maintain the interior and exterior of it's Action Duct Cleaning premises, equipment, fixtures, signs and furnishings in conformity with the then current standards for each as described in the Operations Manuals and Franchisee must make repairs and replacements as may be required by us. All such repairs and changes must be commenced by Franchisee within sixty (60) days after notice from Franchisor and proceed with due diligence until complete.

In addition, Franchisee must agree:

a. to keep Franchisee's business in a high degree of safety, repair, order, and condition, including, without limitation, such periodic repainting of the exterior and interior of the business, and perform such maintenance and repairs to all equipment, fixtures, furnishings, uniforms, and signs as we may reasonably request;

b. to meet and maintain at all times at least the minimum governmental standards and ratings applicable to the operation of the business;

c. to cause Franchisee's employees to wear apparel which conforms to the specifications, design, color and style approved by Franchisor from time to time; and

d. to assure that all vehicles used in the course of business shall be in good repair, shall at least meet minimum governmental standards for safety if owned or leased by Franchisee, and shall be operated solely by persons who are properly licensed to operate such vehicles, and who shall obey all traffic laws and otherwise operate such vehicles in a safe manner.

(ii) Franchisee must refurbish or replace Franchisee's equipment, supplies, and uniforms in order to maintain a modern, safe, sanitary and uniform image throughout Franchisee's Action Duct Cleaning business. After Franchisee's business has been open for three years, and on each three year anniversary thereafter, Franchisee must refurbish or replace Franchisee's equipment, decor, signage, and furnishings and bring Franchisee's business into compliance with then current standards for new Action Duct Cleaning businesses. Franchisee must complete such remodeling, repairs, replacements and redecoration within four months from the date refurbishment notice is forwarded to Franchisee by us. If Franchisee fails to meet this deadline, we have the right to engage contractors or vendors to make these changes and bill Franchisee for their work plus a fifteen percent (15%) management fee for overseeing the process.

L. Lease Assignment.

(i) Upon the expiration or the termination of this Franchise Agreement for any reason, Franchisor shall have the right and option to take an assignment of any commercial lease on the premises of Franchisee herein, without compensation to Franchisee. (See Addendum G: Collateral Assignment of Lease) Franchisor shall also have the right, under those circumstances, to purchase some or all of the equipment and other personal property located at the business, as provided in Paragraph 10 of this Franchise Agreement.

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(ii) Any lease entered into by Franchisee for a site to operate the business must contain provisions which provide that the landlord agrees to furnish Franchisor with any and all written notices of default concurrently with the giving of such notice to Franchisee and that Franchisor shall have the right (but not the obligation) to cure any said default according to the terms of the lease, and that the lease may be assigned to Franchisor or its designee and that landlord will consent to such assignment without imposing any assignment or transfer fee upon termination or expiration of this agreement or any a breach of the lease by the Franchisee.

M. Management Information Systems.

Franchisee shall install, update, maintain, pay for, and use exclusively for all operations in the Franchise Business those information and management systems specified from time to time by Franchisor. Franchisee acknowledges and agrees that Franchisor owns any and all customer lists and their contents that Franchisee may develop during the normal course of operating the Franchised Business. Franchisee promises to keep an up-to-date list of all active and inactive customers in the Management Software Solution, including each customer's name, telephone number, email address, complete postal mailing address, frequency of service, last date serviced and price of service or contract. The current software allows the Franchisor continuously and without limitation to download the customer list. However, from time to time Franchisor may request, and Franchisee agrees to make available to Franchisor, within 3 business days, and upon request, an electronic copy, or in a form approved by Franchisor, a copy of the complete database, including a complete list of active and inactive clients (from the prior three years), including their name, telephone number, email address, complete postal mailing address, frequency of service, last date serviced, and price of service, and other information concerning the customers as requested, which Franchisor may access without limitation. Franchisee promises not to use any customer list for any purpose other than in the normal operation of the Franchised Business without prior written approval of Franchisor, and Franchisee may not sell that list or any information regarding customers to any third party without the express prior consent of the Franchisor. Franchisor agrees to not make the customer list available to any third or related party, except only those agents of Franchisor acting in an audit capacity as provided for in Section 5H of this Agreement. Franchisee's database is considered to be jointly owned by Franchisee and Franchisor during the term of this Agreement but becomes solely owned by Franchisor upon the termination or expiration of said Agreement. Franchisor reserves the right to communicate with people on the customer list.

N. Information Security.

Franchisee must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information ("Personal Information") in accordance with applicable law and industry best practices. It is entirely Franchisee's responsibility (even if Franchisor provides Franchisee assistance or guidance in that regard) to confirm that the safeguards Franchisee uses to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information. If Franchisee becomes aware of a suspected or actual breach of security or unauthorized access involving Personal Information, Franchisee will notify Franchisor immediately and specify the extent to which Personal Information was compromised and disclosed. Franchisee shall indemnify, defend and hold the Franchisor harmless from any claims arising from the breach of security or unauthorized access involving Personal Information of the Franchisee.

O. Public Notification.

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In all advertising displays and materials distributed off site and at its Premises, Franchisee shall, in such form and manner as may be specified in the Confidential Operations Manual, notify the public that Franchisee independently owns and operates the Franchise Business, and that Franchisee is operating the business licensed hereunder as a franchisee of Franchisor, as an independent contractor, and not as an agent, representative or employee of Franchisor, and shall identify its business location in the manner specified in the Confidential Operations Manual. Franchisee shall otherwise take such action as may be necessary to hold itself out to the public as an independent contractor. Further, at the request of Franchisor, the Franchisee shall display, or otherwise make available literature provided by Franchisor relating to the availability of Action Duct Cleaning franchises as supplied by Franchisor and at such location(s) as directed by the Franchisor from time to time.

P. Telephone Number and Related Items.

Franchisee shall execute and deliver to Franchisor a form of assignment of telephone numbers and listings required by the applicable local or other telephone company(s) or such other form of assignment as Franchisor shall prescribe (the "Assignment of Telephone Numbers and Listings") prior to the commencement of use of such number(s). See Addendum H. Franchisee acknowledges and agrees that the telephone company and all listing services may accept this Agreement or the Assignment of Telephone Numbers and Listings as conclusive evidence of Franchisor's exclusive right in such telephone numbers and listings and its authority to direct their transfer. Franchisee shall be solely responsible for all fees, charges and costs attributable to the Telephone Numbers and Listings until such time, if any, as Franchisor effectuates the Assignment of Telephone Numbers and Listings pursuant to Franchisee's Post Term Obligations.

Franchisee shall immediately notify the telephone company providing service to the Franchisee and all telephone directory publishers of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with any Mark, and to authorize transfer thereof to Franchisor at its direction. Franchisee acknowledges that, as between it and Franchisor, Franchisor has the sole rights to and interest in all telephone numbers and directory and internet listings associated with the Mark. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any of its officers as Franchisee's attorney in fact, to direct the telephone company providing service to the Franchisee and all telephone directory publishers to transfer any telephone numbers and directory listings to Franchisor at its direction, should Franchisee fail or refuse to do so. The telephone company providing such service and all telephone directory publishers may accept such direction or this Agreement as conclusive proof of Franchisor's exclusive rights in such telephone numbers and directory and internet listings and Franchisor's authority to direct their transfer.

Franchisee shall not authorize or allow calls made to the above referenced telephone numbers to be transferred or redirected to any other number, or directory inquiries regarding numbers of the Franchise Business to be referred to any other Business.

6. FEES

In addition to fees specified in other sections of this Agreement, the Franchisee shall be responsible for the payment of the following fees, under the terms and conditions hereinafter set forth:

A. Royalty Fee.

Franchisee shall pay to Franchisor a Royalty Fee, equal to Ten Percent (10%) of the first Three Hundred Thousand Dollars ($0 - $300,000) of Total Gross Receipts derived from the franchised business during each calendar year; Nine Percent (9%) of the next Three Hundred Thousand Dollars ($300,001-600,000); and Eight percent (8%) of all Total Gross Receipts received in a calendar year in excess of $600,000. Calculation of these break points will be prorated for the Franchisee's first year of operations.

Beginning in the thirteenth (13) month from the date of the franchise's opening, a minimum Royalty Fee of $1,000 will be due to Franchisor regardless of the Total Gross Receipts received in any month. Beginning in the twenty-fifth (25) month from the date of the franchise's opening, a minimum Royalty Fee of $1,500 will be due to Franchisor regardless of the Total Gross Receipts received in any month.

The term "Total Gross Receipts" shall mean the total amount of all revenues paid to the Franchisee, its agents and its employees, from the sale of all services or products under the Action Duct Cleaning mark, and from any other sources of revenue derived from the operation of the franchised business. If a payment or fee is received in the form of merchandise or services, the fair market value of the merchandise or services shall be used in determining the Royalty Fee, and payment shall be made to Franchisor in cash accordingly. The term "Total Gross Receipts" shall exclude any sales taxes that may be levied.

(i) Payment of the Royalty Fee shall be made to the Franchisor monthly by the seventh day of the month following the month in which the revenues were received. Franchisee shall make arrangements with its banking institution to permit Franchisor to debit Franchisee's banking account based on Franchise's monthly Royalty Report (a summary of revenues collected) that shall be submitted electronically, by email or fax, as specified from time to time by Franchisor. (See Addendum F: Current Bank Authorization Form)

(ii) In the event Franchisee fails to pay any Royalty Fee within seven (7) days after it is due, then Franchisee shall pay a late fee of $100 plus interest on the amount due at the lesser rate of one and one-half percent (1½%) per month or the maximum rate permitted by applicable law for each month that said amount is not paid, but in no event shall Franchisee be compelled to pay interest or fees at a rate greater than the maximum permitted by applicable law.

(iii) In the event Franchisee fails to submit Royalty Reports in a timely manner in order to permit Franchisor to debit Franchisee's bank accounts for the proper fee, Franchisor will have the right to estimate the amount due and debit Franchisee's account for that amount, making adjustments in subsequent debits to correct any inaccuracy. Franchisor shall be entitled, but not required, to base estimated Royalties on the average of the three preceding month's Royalty payments.

B. Advertising Fee

The Franchisor reserves the right to require the Franchisee to pay up to two percent (2%) of Total Gross Receipts as an Advertising Fee that will be used to promote the Action Duct Cleaning name in the marketplace, with the exact amount to be specified by the Franchisor. Franchisor agrees not to collect Advertising Fees until a minimum of fifteen (15) Franchises are open for business and Franchisor will give 60 days written notice before implementation and collection of fees. When instituted, the Franchisee shall pay the amount due monthly, by the seventh day following the month in which the revenues were received paid in the same manner as the royalties. The Franchisor will spend these monies on national, regional, or local media, or to develop advertising media

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for use in local markets or other marketing techniques or programs designed to promote the sales of Action Duct Cleaning Franchisees' products and services to the public. These fees may also be expended by Franchisor for market research and development, test or target marketing, creative and production costs, public relations, the conducting of surveys, reimbursement to Franchisor for reasonable accounting, administrative, and legal expenses associated with the Advertising Fee, or for other purposes deemed appropriate to enhance, promote and defend the Franchisor's trademarks. Franchisor will make available to Franchisee annual reports of payments made from the Advertising Fee Account and will solicit commentary regarding future expenditures. The Franchisor's staff will manage the Ad Fee Account and will budget and spend monies in the Advertising Fee Account in ways that they deem appropriate after receiving guidance from a Committee of Franchise Owners and the Franchisor. Franchisor will not co-mingle Advertising Fees with other funds or accounts.

At such time, if ever, that an Advertising Fee is implemented, Franchisor's Affiliate(s) will contribute two percent (2%) of their Total Gross Receipts (or any lower system-wide rate which is identical to that paid by franchisees) of their Action Duct Cleaning business(s) operating units to the Advertising Fee Account.

Franchisee also agrees to advertise in its Protected Territory, using the Franchisor's Service Mark and Logo, and using advertising copy approved by the Franchisor. The Franchisee agrees to spend a minimum of 5% of total gross receipts on local advertising each month, or $500, whichever is greater. The Franchisee agrees to make reports as the Franchisor may require to verify such expenditures within 15 days from the end of each month for the preceding month. Franchisor reserves the right to require Franchisee to join a local advertising cooperative, if one is established in Franchisee's area, and any amount contributed by Franchisee to the cooperative will count against the local advertising requirement.

7. INDEPENDENT CONTRACTOR

A. It is agreed that, for all purposes, Franchisee shall be considered an independent contractor, and not an employee, agent, legal representative, joint venturer, partner or servant of Franchisor. Franchisee shall not make any contract, agreement, warranty, or representation on behalf of Franchisor nor as Action Duct Cleaning, nor bind Franchisor to any obligation, nor hold itself out as an agent of Franchisor and shall effectively communicate to third parties, Franchisee's individual, corporate or business name and status, in addition to the fact that Franchisee is a licensee of Franchisor. Franchisee is solely responsible for its own hiring and employment practices and will defend and indemnify Franchisor from any claims arising out of such activity. It is agreed that Franchisee's employees are not joint employees of Franchisor. Franchisee agrees to comply with all National, State and Local laws and ordinances.

B. Franchisee shall indemnify, defend and hold Franchisor harmless from and against any and all claims of any sort whatsoever, arising in any way out of Franchisee's ownership and operation of the Franchised Business.

8. TERM

A. This Agreement shall be effective and binding from the date of its execution. The term of this franchise shall expire ten (10) years from such date.

B. At the end of said term, Franchisee may renew this Franchise for additional ten (10) year terms so long as the following conditions are satisfied:

1. Franchisee has complied substantially with its obligations hereunder during the term and is then in compliance with such obligations at time of giving notice and at time of renewal;

2. Franchisee has given Franchisor written notice of its election to renew at least ninety (90) but not more than one hundred eighty (180) days prior to expiration of the initial term;

3. The Franchisee signs the new Franchise Agreement then in effect, such other companion agreements as the Franchisor then requires of all Franchisees and the Franchisee signs a general release of the Franchisor from all claims;

4. A renewal fee of ten percent (10%) of the Initial Franchise Fee being charged new franchisees for a comparable territory at the time of the renewal shall be paid to the Franchisor at least 30 days before expiration of this agreement. No new initial franchise fee will be charged to Franchisee upon such renewal or renewals.

5. Any commercial facility used by the business, equipment, decor, signage, and furnishings must be brought into compliance with then current standards for new Action Duct Cleaning businesses.

6. There currently are no purchasing nor distribution cooperatives in our system. We do not provide you with any material benefits (such as renewal or granting additional franchises) based on your use of designated or approved sources, but doing so is one of your obligations under the Franchise Agreement.

Upon renewal and execution of a new Franchise Agreement, royalties, advertising fees or other fees and charges will be based on the then current charges of the Franchisor under Franchise Agreements then being granted. Franchisee's Protected Territory will remain the same. Franchisor is not restricted in its right to change other significant provisions of the previously existing Franchise Agreement, other agreements or documents.

9. TERMINATION AND DEFAULT

A. Franchisee may not terminate this Agreement during its term but may decline to renew the Agreement at the end of any 10 year term.

B. Franchisor has the right to cancel, terminate, or refuse to renew this Agreement for the following reasons (in addition to other rights and remedies it may have) without any refund of any portion of the Franchise Fee:

1. If Franchisee fails, refuses, or neglects promptly to pay to Franchisor any money owing to Franchisor on the date due.

2. If Franchisee fails to submit required reports or financial data in a timely manner.

3. If Franchisee defaults in the performance under this Franchise Agreement, a loan, open account billing, contract assignment, or under any other Agreement with, or obligation to, Franchisor, or if Franchisee fails to comply with guidelines, policies and requirements imposed upon it by this Agreement, by the Operations Manual, or by such other operational memoranda issued by Franchisor;

4. If Franchisee violates or fails to comply with any applicable law including state business licensing or bonding laws and fails to cure within the time allowed by law.

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5. If Franchisee fails to maintain generally accepted good business practices which will reflect favorably on the Franchisee, Franchisor and its marks. This includes, but is not limited to: prompt response to clients', consumers' or Franchisor's inquiry, by mail, or telephone and payment of liabilities, fees, and debts of the Franchisee.

6. If the business of Franchisee is assigned, transferred, sold, leased, or for any other reason passes from the actual supervision or control of Franchisee without Franchisor's written consent including any transfer, sale, assignment, exchange or any other disposition of shares (or series of such transactions) of a corporate or limited liability company-owned franchise.

7. If the Franchisee fails to open its business within 90 days of signing this Agreement, or, if, after commencement of the business, Franchisee fails to operate the business continuously for a period of seven (7) business days during the term of this Franchise Agreement (Abandonment) unless prevented by Acts of God.

8. If Franchisee fails to personally complete or have its designated General Manager complete, the initial training described in Paragraph 4A(i) within 30 days of hire or engagement.

9. If Franchisee makes, or has made, any materially false statement or report to the Franchisor in connection with this Franchise Agreement or application therefor or in reporting Franchisee's revenues and resultant royalties.

10. If Franchisee fails to obtain from its managers, signed, written statements, in which these employees agree to keep secret Franchisor's trade secrets and proprietary information for operation of an Action Duct Cleaning business or if Franchisee delivers to, or permits unauthorized persons access to the Franchisor's confidential manuals, training programs, or any other confidential materials, or trains any other person to use Franchisor's methods for conduct of a similar business.

11. If Franchisee violates any of the provisions of Paragraph 15 of this Agreement.

12. (a) If Franchisee shall be adjudicated a bankrupt (unless restricted by the United States Bankruptcy Code) or becomes insolvent; (b) if a receiver of its property, or any part thereof, is appointed by a court of competent authority; c) if Franchisee makes a general assignment for the benefit of its creditors; (d) if a final judgment against Franchisee remains unsatisfied of record for sixty (60) days or longer (unless a supersedeas bond is filed); (e) if execution is levied against Franchisee's business or property, or suit to foreclose any lien or mortgage is instituted and not dismissed within sixty (60) days; (f) if Franchisee's bank accounts, property or receivables are attached or garnisheed and such attachment or garnishment proceedings are not dismissed within a sixty (60) day period; or (g) if Franchisee is convicted of a felony.

13. If Franchisee breaches any of the terms of this Agreement two or more times within any twelve (12) month period, even if cured.

14. If Franchisee fails to comply with maintenance and refurbishing of the business as described in Section 5K of this Agreement.

With respect to the grounds for termination set forth above in subparagraph (1) and (2), Franchisor will deliver to Franchisee written notice of default at least seven (7) days prior to the date of termination; during this seven (7) day period, Franchisee will have the right to cure the default.

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With respect to the grounds for termination set forth above in subparagraphs (3), (4), (5), (10) and (14), Franchisor will deliver to Franchisee written notice of default at least thirty (30) days prior to the date of termination; during this thirty (30) day period, Franchisee will have the right to cure the default.

With respect to the grounds for termination set forth above in subparagraphs (6), (7), (8), (9), (11), (12) and (13), Franchisor shall have the right to terminate this Agreement by written notice, without any right to cure by Franchisee.

Where notice of default and demand for performance is given, when and to the extent required, such notice or demand shall not be a waiver of any other term hereof. To the extent that any provisions of this Agreement provide for periods of notice less than those provided by any applicable law, or provide for termination, cancellation or non-renewal other than in accordance with such applicable law, then such provisions hereof shall be modified to the extent necessary to comply with the provisions of such applicable law.

10. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

A. Upon the termination of this Agreement and this franchise, or upon their expiration, Franchisee and franchise owner(s), as applicable, shall:

1. Promptly pay to Franchisor (its subsidiaries and affiliates), all sums of money, royalties, fees or other charges due or which are undisputed and have accrued to the date of termination or expiration, as applicable. Franchisee shall also refund any unearned sums of money that were collected from prospective clients, or others for services that cannot be performed as the result of the termination or expiration of this agreement. Proof of such refunds must be submitted to Franchisor within 10 business days of termination or Franchisor may make such refunds and bill Franchisee, franchise owners and/or Guarantors as appropriate.

If termination is the result of a breach by Franchise, Franchisee and/or guarantors shall pay to Franchisor, in lump sum, as liquidated damages, and not as a penalty, an amount equal to the average Royalty due during each of the last twelve months times thirty-six (36) or the number of remaining months left on the this agreement, whichever is smaller. The parties expressly acknowledge and agree that such payments shall not affect any rights or remedies the Franchisor may have, at law or in equity, including without limitation the right to seek injunctive relief, against Franchisee, Guarantors, and/or the franchise owners;

2. Cease to use, in any manner whatsoever, the Franchisor's name, the proprietary marks, manuals, brochures, slogans, signs, forms, devices and other materials, used in connection with the operation of the franchise, and take all necessary steps to disassociate itself from Franchisor, including removal of signs, internet postings, and non-use of letterheads. Franchisee shall not represent or advertise that Franchisor and Franchisee were formerly affiliated with the Franchise System;

3. Immediately return to Franchisor with no demand for compensation, all operations manuals, forms, signs, prospect and customer lists, as well as any other materials provided to Franchisee by Franchisor, its subsidiaries or affiliates; (Franchisor will repay Franchisee for signs or other materials paid for by Franchisee that were purchased from the Franchisor, that are returned in a salable condition, or their value may be credited to any unpaid obligations of the Franchisee);

4. Take whatever action is necessary to cancel, terminate and/or change any assumed name registration, document, or other record which contains the name "Action Duct Cleaning" (or any form or part thereof) or any Proprietary Mark of Franchisor;

5. Agree not to disclose any trade secrets or confidential information of Franchisor, its subsidiaries and affiliates;

6. Immediately cease operation of the terminated or expired franchised business;

7. Notify all telephone companies, of the termination of this agreement and request that all telephone numbers, that have been used to identify the Franchisee as a licensee of Franchisor, be assigned to the Franchisor or terminated (at the Franchisor's discretion) no later than 7 days after the date of termination or expiration. The phone line(s) should be placed on intercept with no call forwarding unless the Franchisor chooses to accept financial responsibility for the line(s). This agreement to transfer or terminate phone line(s) applies to all telephone numbers whether commercial, residential, cellular, internet-based or other forms of telecommunications (See Addendum H: Assignment of Telephone Numbers and Listings);

8. Submit to the Franchisor an electronic copy of the Franchisee’s client database and/or a list containing the names, addresses, telephone numbers and the name of the contact person responsible for purchasing Franchisee’s services and products for each customer that has made a purchase during the prior 36 months, including therein, names, addresses, and telephone numbers of contacts at each customer facility where Franchisee performed services during the prior 36 months;

9. In addition, Franchisee must refund to all customers (or to Franchisor, at Franchisor’s option) any monies collected for services or products that have not been earned as the result of this termination or expiration and the resulting inability of Franchisee to deliver said products and provide services under the Action Duct Cleaning Mark.

10. Notify any and all Internet Service Providers, URL Registrars, search engines, directories and other pertinent sources of the termination of this agreement and request that all links, referrals, registrations, and telephone numbers, that have been used to identify the Franchisee as a licensee of Franchisor, be assigned to the Franchisor or terminated (at the Franchisor's discretion) 7 days after the date of termination or expiration. Any domain name registrations should be transferred under regulations established from time to time by ICANN or the then current registration authority, to the Franchisor unless the Franchisor chooses not to accept financial responsibility for these URL(s). If this is the case, said name registrations should be cancelled and any web pages containing referrals to the Action Duct Cleaning name or logo or reference to business inventory and any services offered by Franchisee terminated.

11. Offer Franchisor the right to take over any commercial property leases utilized by Franchisee and to purchase for fair market value as established by a qualified independent appraiser selected by the Franchisor any equipment, inventory or leases for equipment utilized by the business.

If Franchisee and/or franchise owner(s), as applicable, fail or refuse to comply with this Section 10 in a professional and expeditious manner, as well as all other obligations hereunder intended to survive termination and expiration of this Agreement and Franchise, including but not limited to the non-disclosure, non-competition and indemnification covenants, then Franchisee and franchise owner(s) agree to pay Franchisor for all costs and expenses, including auditors' and attorneys' fees incurred by Franchisor in an effort to effect

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compliance thereunder. All obligations of Franchisee, franchise owner(s) and Franchisor hereunder which expressly, or by their nature, survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire. Franchisor shall have the right, at its sole discretion, to cure any default of the Franchisee and bill the Franchisee for any expenses incurred in eliminating said default.

11. TRANSFERABILITY OF INTEREST

A. Franchisee may not assign this Franchise Agreement nor sell the assets of the business to others without the Franchisor's written consent. Franchisor may refuse to consent to any assignment, sale, transfer or bequeath by Franchisee of its rights under this Agreement, or to succession of this Agreement by will or intestacy, to any person, partnership, joint venture, corporation or other entity unless that party meets the then current standards for new Franchisees and Franchisee has met the requirements of Paragraph 11B below. An assignment or transfer shall include without limitation, an effective transfer of ownership of 20% or more of the ownership interest of a franchisee.

B. Prior to any inter vivos assignment or transfer, Franchisee shall fully pay and satisfy all of Franchisee's obligations to Franchisor, and, if the transfer is to an unrelated third party, Franchisee (or transferee) shall have fully paid to Franchisor a fee equal to twenty-five percent (25%) of the Initial Franchise Fee being charged new franchisees for a comparable territory at the time of the transfer for the training course, supervision, administrative, accounting, legal, and/or other Franchisor expenses incurred in connection with the transfer. In addition, Franchisor shall have the right to review and approve the purchase agreement for compliance with standard business practices, including, but not limited to, the debt burden of the purchaser; the transferee shall have signed a new Franchise Agreement with the Franchisor; training arrangements must be made; and Franchisee must sign a general release of the Franchisor from all claims.

C. This Agreement and all of Franchisor's rights, title, duties, obligations, and interest hereunder may be freely assigned, transferred or conveyed by Franchisor and shall be binding upon and inure to the benefit of Franchisor's successors and assigns.

D. Notwithstanding anything stated elsewhere in this Agreement, the Franchisee shall have the right, if it is in full compliance with this Agreement, to transfer, without charge, its rights and obligations under this Agreement to a corporation or a limited liability company in which Franchisee continuously owns one hundred percent (100%) of the issued and outstanding shares of each class of stock or membership shares, provided that the corporation or LLC must agree in writing to be bound by the terms of this Agreement and the Franchisee hereby agrees to remain personally liable in all respects as a guarantor of the obligations of the corporation or LLC. Franchisee shall be in default under the terms of this Agreement if Franchisee, at any time, disposes of any interest sufficient to reduce its ownership in the corporation to less than eighty 80% interest of any class of stock without complying with the steps of Paragraph 11B.

E. Franchisor retains the right to purchase the assets of Franchisee at the same price and on the same terms as any other party. If Franchisee reaches an agreement to sell, assign or transfer this license, ownership of the Franchisee or the Franchise Business itself, to another party, it must be subject to Franchisor's right of first refusal described in this Sub Paragraph E. Franchisor will notify Franchisee of its intent to exercise or waive said rights within 10 days of receiving written documentation indicating the Franchisee's agreement to sell. Franchisor shall have an additional 45 days to complete the purchase, in instances where it decides to exercise its right to purchase, after it has given Franchisee its notice to do so.

F. In the event of the death, disability or permanent incapacity of Franchisee (or appointment of a conservator or guardian of the person or estate of Franchisee, or if Franchisee is a corporation or limited liability company, then upon the death, insanity, permanent disability of the corporation's principal officer or the manager or managing member of an LLC), Franchisor shall not unreasonably withhold its consent to the transfer of all of the interests of Franchisee to his spouse, heirs or relatives, whether such transfer is made by will or by operation of law, provided that the requirements of Paragraph 11B hereof have been met. In the event that Franchisee's heirs do not obtain the consent of Franchisor as prescribed herein, the personal representative of Franchisee shall have reasonable time, not to exceed six months from the date of death or incapacity, to dispose of Franchisee's interest hereunder, which disposition shall be subject to all the terms and conditions for transfers under this Agreement.

12. NON-WAIVER

No failure of Franchisor to exercise any rights reserved to it nor to insist upon strict compliance by Franchisee (or franchise owner(s) as applicable) with any obligation or condition of this contract, and no custom or practice at variance with these terms, shall constitute a waiver of Franchisor's right to demand exact compliance with these terms. Waiver by Franchisor of any particular default by Franchisee (or franchisee owner(s)) shall not affect or impair Franchisor's rights in respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee or franchise owner(s) of any of the terms, provisions, or covenants, affect or impair Franchisor's rights, nor shall such constitute a waiver by Franchisor of any right or of the right to declare any subsequent breach or default of this Agreement. Subsequent acceptance by Franchisor of the payments due to it shall not be deemed to be a waiver by Franchisor of any of its rights arising by a preceding breach by Franchisee or franchisee owner(s) of any terms, covenants or conditions of this Agreement.

13. NOTICE

Any notices required to be given shall be given in writing by personal delivery, or by certified or registered mail, or by reputable commercial overnight delivery service, directed to Franchisor at Action Duct Cleaning Franchising, Inc., 2333 Lincoln Avenue, Altadena, CA 91001 or to Franchisee at Franchisee's address set forth on the first page of this Agreement. Notice by mail shall be deemed received on the fifth business day following the date it was deposited in the mail.

Either party hereto may change the address to which any notices to such party shall be delivered, by written notice to the other.

14. LIABILITY FOR BREACH

In the event of any breach of this Agreement by either party, in addition to any other remedies the aggrieved party may have at law or in equity, the party in breach shall pay to the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees and auditors' fees incurred by the aggrieved party as a result of any such breach.

15. COVENANT NOT TO DISCLOSE OR COMPETE

Franchisee and any guarantors hereof acknowledge that their initial knowledge of the operation of an Action Duct Cleaning franchise, its services, products, and methods of conducting business, is derived wholly

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from information disclosed to them by Franchisor pursuant to this Agreement, the training programs, the Confidential Operating Manuals and other means, and that such information is proprietary and confidential.

A. So long as this Franchise Agreement is in effect, and for two (2) years thereafter, Franchisee and all Guarantors shall maintain the absolute confidentiality of such information and shall not divulge to, or use for the benefit of, any other person, partnership, association, trust, corporation or entity outside the Franchisor's organization, any confidential or proprietary information of Franchisor nor any information concerning customers, the methods of doing business (including, without limitation, cleaning techniques, approved supplier and inventory lists, production techniques, vendors, promotion, pricing of products and services, marketing concepts and other technical information and know-how employed by Franchisor or its franchisees in the business of cleaning air handling and related equipment) which Franchisee or the guarantor may acquire by virtue of their operation under the terms of this Agreement. Information furnished to employees, or agents of Franchisee by Franchisee shall be reasonably limited to that information which directly relates to such employees' or agents' duties. All employees of the Franchisee shall execute like non-disclosure and confidentiality undertakings in writing as a condition precedent to their engagement by Franchisee.

B. So long as this Franchise Agreement is in effect, and for two years thereafter, except for the franchised business licensed hereunder, Franchisee and guarantors expressly covenant that Franchisee and guarantors will not engage, directly or indirectly, within a one hundred (100) mile radius of the boundaries of Franchisee's Protected Territory, or within one hundred (100) miles of any other Action Duct Cleaning franchisee office or office of any affiliate of Franchisor, whether as an owner, stockholder, partner, officer, director, or managerial employee in a cleaning business providing HVAC duct cleaning, dryer duct cleaning, kitchen exhaust cleaning, industrial oven cleaning, industrial silo cleaning, chimney cleaning, gutter cleaning,

Aeroseal duct sealing and related services, or otherwise to engage in a business similar to that licensed hereunder. If Franchisee and/or Guarantors do so compete, Franchisee and/or guarantors shall pay to Franchisor, in lump sum, as liquidated damages, and not as a penalty, an amount equal to the average Royalty due during each of the last twelve months times thirty-six (36). The parties expressly acknowledge and agree that such payments shall not affect any rights or remedies the Franchisor may have, at law or in equity, including without limitation the right to seek injunctive relief, against Franchisee and/or the franchise owners by reason of such competition by them.

C. This Covenant is entered into by and between the parties hereto with full knowledge of its nature and extent. They hereby acknowledge that this Franchise Agreement would not be entered into by the Franchisor except upon the condition that such restrictive covenant be embodied herein and that, as such, they be enforceable, in the event of a breach by Franchisee and/or the franchise owners, by injunctive relief, and/or any other remedies available at law or equity to Franchisor, which remedies shall be cumulative. Franchisee and the franchise owners expressly acknowledge and represent that, prior to entering into this Agreement, they were employed and earned a living in some occupation other than that contemplated by this Agreement, and would not be prevented or prohibited from being employed and earning a living upon the termination of this Agreement, whether voluntarily or involuntarily, in the event they were prohibited from engaging in the management of a cleaning business.

16. ENTIRE AGREEMENT

This Agreement and the documents to which reference in it has been made, shall be construed together and constitute the entire, full and complete agreement between the parties and shall supersede all prior agreements, no other representation having induced Franchisee and franchise owner(s), as applicable, to execute this Agreement. There are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect. Nothing contained in this Agreement, however, shall serve to waive or release any representations made by the Franchisor in its Franchise Disclosure Document. No amendment, change or variance from this Agreement shall be binding on any party unless executed in writing.

17. SEVERABILITY

Each paragraph, section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any paragraph, section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of or affect the remaining paragraphs, sections, parts, terms, and/or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties. Said invalid paragraphs, sections, parts, terms and/or provisions shall be deemed not to be a part of this Agreement, provided, however, that if Franchisor determines that said finding of illegality adversely affects the basic consideration of this Agreement, Franchisor may, at its option, terminate this Agreement. Nothing in this agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

18. MEDIATION AND ARBITRATION

A. Any controversy or claim (other than those arising from non-payment of monies due, falsification of reports, abandonment, those regarding trademark infringement, and non-compete provisions) arising out of or relating to this contract, or the breach thereof, shall be subject to mandatory non-binding Mediation. The Mediator will be appointed in accordance with the Rules and Regulations of the American Arbitration Association unless the parties agree on a Mediator in writing within ten (10) days after either party gives written notice of Mediation. If either party alleges a dispute or controversy against the other party for any reason, except for those specified above, then either party will have the right to demand non-binding Mediation within the (10) days after the complaining party provided the other party with written notice describing the dispute or controversy and the desired action. All Mediation hearings will take place exclusively in Altadena, CA, and will be held within twenty (20) days after the Mediator has been appointed. The Mediation hearing will be informal and the Mediator will have the right to hear and review all testimony and evidence presented by either party. The cost of the Mediator will be shared equally by the parties. The parties agree that they will act in good faith to settle any dispute or controversy between them either prior to or during Mediation. All matters, testimony, arguments, evidence, allegations, documents and memorandums will be confidential in all respects and will not be disclosed to any other person or entity by either party, nor used in any other proceeding relating to the dispute.

The Franchisor and the Franchisee will not have the right to commence any Arbitration or legal proceedings against the other party until the dispute or controversy has been mediated as provided for herein, unless said dispute is of a nature excluded from Mediation as set forth above or if neither party has requested mediation. Both parties will have the right to take all actions necessary to demand Arbitration or to commence legal proceedings prior to any Mediation hearing; however, neither party will have the right to an arbitration hearing or to prosecute any legal proceedings beyond commencement of an action until the Mediation has concluded.

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B. Any controversy or claim (other than those arising from non-payment of monies due, falsification of reports, abandonment, those regarding trademark infringement, and non-compete provisions) arising out of or relating to this contract, or the breach thereof, not resolved through Mediation, shall be resolved by Arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, by a single arbitrator. Said Arbitration shall take place at Altadena, CA. Judgment entered upon an award rendered by the Arbitrator may be entered in any court having jurisdiction thereof. The parties agree that they shall be entitled to take discovery by way of depositions and requests for production of documents and that AAA-issued subpoenas shall suffice for compelling same. Each party shall determine the extent of the discovery it desires to undertake and shall submit to the arbitrator (and serve on the opposing party) a schedule of such intended discovery. Each party shall be entitled to take discovery pursuant to its schedule unless objection thereto is made by the other party within 10 days after service of said schedule. The parties shall make a good faith attempt to resolve all objections. Any unresolved objections shall be submitted to the arbitrator for resolution. Arbitration shall be on an individual basis, not a class wide or consolidated basis.

C. Nothing herein shall bar the right of either party to obtain injunctive relief against threatened or actual conduct under the usual rules of equity, including the applicable rules for obtaining preliminary injunctions.

19. FRANCHISEE

The term "Franchisee" shall be deemed to include all persons who succeed to the interest of the original Franchisee by transfer or operation of law.

20. VENUE/GOVERNING LAW

This Agreement was entered into in the State of California and this Agreement, and all disputes between the parties hereto, shall be interpreted and construed under its laws. The parties agree that any action in which Franchisor is a party brought by any party against another party in connection with any disputes, rights or obligations arising out of this Agreement, and not otherwise subject to binding arbitration under Section 18 above, shall be instituted in a state court of competent jurisdiction with venue only in Los Angeles County, State of California, or in the United States District Court for the California Central District of the Ninth Circuit, except and only to the extent prohibited by applicable law. Any party to this Agreement named as a defendant in such an action brought in connection with this Agreement in any other court outside of the above-designated county or district shall have the right to have the venue of said action changed to the above-designated county or federal district, unless precluded by applicable law. Franchisee hereby agrees to submit personally to the jurisdiction of a court of competent subject matter jurisdiction located in the above-designated state and county or federal district, except in any legal proceeding where Franchisor is not a party. The parties acknowledge that this Agreement is executed in and that a material portion of Franchisor's obligations under this Agreement are to be performed in, the above-designated state, county and federal .

Nothing contained in this paragraph shall prevent or prohibit Franchisor from seeking an injunction or other equitable relief in any court of competent jurisdiction.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed and delivered this Agreement in duplicate the day and year first above written.

Initials

Witnesses:	ACTION DUCT CLEANING FRANCHISING, INC.
	(FRANCHISOR)
______________________________	By______________________________
	Duly Authorized
______________________________	______________________________
	Franchisee (Seal)
______________________________	______________________________
	Printed Name
______________________________	______________________________
	Franchisee (Seal)
	______________________________
	Printed Name

Initials

ADDENDUM A TO THE FRANCHISE AGREEMENT
FRANCHISEE'S PROTECTED TERRITORY

Franchisee is authorized to open and operate only one cleaning business under the Action Duct Cleaning mark at a location to be determined within the Protected Territory known as______________________________ which is defined as lying within these boundaries:

(See map attached.)

The Protected Territory will remain constant during the term of this Franchise Agreement. Franchisee's office is:

__ at the location shown above, or

__ will be established upon submission by Franchisee and approval by Franchisor and recorded in Addendum C to this Agreement.

Witnesses: ACTION DUCT CLEANING FRANCHISING, INC. (FRANCHISOR)

____ By_____________________________________
Duly Authorized

____ _____________________________________
Franchisee (Seal)

____ _____________________________________
Printed Name

____ _____________________________________
Franchisee (Seal)

____
Printed Name

Initials

ADDENDUM B TO THE FRANCHISE AGREEMENT

CLOSING ACKNOWLEDGMENTS

In order to ensure that your decision to purchase a Franchise from Action Duct Cleaning Franchising, Inc. (Franchisor) is based upon your own independent investigation and judgment, please complete and sign this Acknowledgment.

1. I (we) have not received any information, either oral or written, regarding the sales, revenues, earnings, income or profits of Action Duct Cleaning Franchisees from any officer, employee, agent or sales representative of Franchisor other than ____.

2. I (we) have not received any assurances, promises or predictions of how well my (our) Action Duct Cleaning business franchise will perform financially from any officer, employee, agent or sales representative of Franchisor.

3. I (we) have made my (our) own independent determination that I have adequate working capital to develop, open and operate my (our) Action Duct Cleaning business franchise.

4. I (we) acknowledge that Franchisor will use reasonable efforts to assist me (us) in choosing a location for my (our) Action Duct Cleaning business, but I also understand that I am (we are) responsible for the final decision regarding the selection of a suitable territory and site.

5. I (we) am not relying on any promises of Franchisor which are not contained in the Franchisor's Franchise Agreement.

6. I (we) understand that my (our) investment in an Action Duct Cleaning Franchise contains substantial business risks and that there is no guarantee that it will be profitable.

7. I (we) have been advised by Franchisor and its representatives to seek professional legal and financial advice in all matters concerning the purchase of my (our) Action Duct Cleaning Franchise.

8. I (we) acknowledge that the success of my (our) Action Duct Cleaning franchise depends, in large part, upon my (our) ability as an independent business person(s) and my (our) active supervision of the day-to-day operation of the business.

9. The name(s) of the person(s) with whom I (we) dealt in the purchase of my (our) Action Duct Cleaning Franchise is (are)

____.

Dated:__________

____
Printed Name

____
Signature

____
Printed Name

____
Signature

Initials

ADDENDUM C TO THE FRANCHISE AGREEMENT

ACCEPTED LOCATION AND PROTECTED TERRITORY

Franchisee's Approved Location is hereby identified as follows:

Franchisee is authorized to open and operate a duct cleaning business at the following specific site:

____

Witnesses:

ACTION DUCT CLEANING FRANCHISING, INC.
(FRANCHISOR)

____ By____
Duly Authorized

____ ____
Franchisee (Seal)

____
Printed Name

____ ____
Franchisee (Seal)

____
Printed Name

ADDENDUM D TO THE FRANCHISE AGREEMENT

GUARANTY

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "Agreement") by Action Duct Cleaning Franchising, Inc. (hereafter "Franchisor"), each of the undersigned individuals, ("Guarantors") hereby personally and unconditionally: (1) guarantees to Franchisor and its affiliates and their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that ______ ____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agrees personally to be bound by, and personally liable for the breach of each and every provision in the Agreement and comply with all sections of the Agreement, as though the undersigned were the Franchisee.

Each of the undersigned waives:

(a) acceptance and notice of acceptance by Franchisor and its affiliates of the foregoing undertakings;

(b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

(c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(d) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and

(e) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that:

(a) his direct and immediate liability under this guaranty shall be joint and several;

(b) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so:

(c) such liability shall not be contingent or conditioned upon pursuit by Franchisor or its affiliates of any remedies against Franchisee or any other person;

(d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor or its affiliates may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned waives all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this guaranty.

Initials

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

PERCENTAGE OF OWNERSHIP INTERESTS IN FRANCHISEE	GUARANTOR(S)
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________

Initials

ADDENDUM E TO THE FRANCHISE AGREEMENT

FOR RESIDENTS OF THE STATE OF CALIFORNIA

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, transfer or non-renewal of a franchise. If a franchise agreement contains a provision that is inconsistent with the law, the law still controls.

For franchisees in California, payment of initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

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.

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

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

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.

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

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

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.

ILLINOIS STATE LAW APPENDIX

The conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Illinois Law, ILCS 705/19 and 705/20.

Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act is void."

Initials

This Agreement shall be governed by and construed in accordance with the laws of the state of Illinois, and any and all disputes between the parties shall be resolved, within the state of Illinois, whether by mediation, arbitration or litigation.

BY EXECUTING THIS APPENDIX, THE PARTIES HERETO MAKE THIS APPENDIX A PART OF THE ACCOMPANYING FRANCHISE AGREEMENT, AND INCORPORATE THIS APPENDIX THEREIN.

Franchisee Date	Franchisor Date

MINNESOTA STATE LAW APPENDIX

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

BY EXECUTING THIS APPENDIX, THE PARTIES HERETO MAKE THIS APPENDIX A PART OF THE ACCOMPANYING FRANCHISE AGREEMENT, AND INCORPORATE THIS APPENDIX THEREIN.

WASHINGTON STATE LAW APPENDIX

The state of Washington has a statute, RCW 19.100.180, which 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 involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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 of 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.

Initials

FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM

Notwithstanding Section 16 of the Franchise Agreement to the contrary, this Addendum will not be merged with or into, or superseded by, the Franchise Agreement. In the event of any conflict between the Franchise Agreement and this Addendum, this Addendum will be controlling. Except as otherwise expressly set forth in this Agreement, no other amendments or modifications of the Franchise Agreement are intended or made by the parties.

Applicable state or commonwealth: ___________________________________

In witness whereof, the parties hereto have duly executed and delivered this Addendum as of the date of execution of the Franchise Agreement.

ACTION DUCT CLEANING FRANCHISING, INC.	**FRANCHISEE**
____________________________	____________________________
By:	Signature
	____________________________
	Print name
	____________________________
	Signature
	____________________________
	Print name

Initials

ADDENDUM F TO THE FRANCHISE AGREEMENT
BANK AUTHORIZATION FORM

I hereby authorize Action Duct Cleaning Franchising, Inc., hereinafter called "Action Duct Cleaning," to initiate debit entries to my ____ Checking ____ Savings account indicated below at the depository named below, hereinafter called DEPOSITORY and authorize DEPOSITORY to debit the same to such account.

DEPOSITORY (BANK)

NAME:____

BRANCH: ____

ADDRESS: ____

CITY: ______________________ STATE: ____________ ZIP: ____________

Bank/ABA #: ____

ACCOUNT #: ____

This is to remain in full force and effect for the entire term of the Franchise Agreement, including renewals, unless upon ten (10) days written notice this authorization is subsequently replaced by maker.

FRANCHISEE: ____

FEDERAL IDENTIFICATION: ____

(Please print or type)

SIGNED: ____

DATE: ______________________

Initials

ADDENDUM G TO THE FRANCHISE AGREEMENT
COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ___________________________________, ("Tenant") hereby assigns, transfers and sets over unto Action Duct Cleaning Franchising, Inc., a California Corporation ("Action Duct Cleaning") all of Tenant's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit 1 (the "Lease") respecting premises commonly known as ____. This Agreement is for collateral purposes only and except as specified herein, Action Duct Cleaning shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment of the Lease unless Action Duct Cleaning shall take possession of the premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Tenant thereunder after the date of such assignment.

If Action Duct Cleaning takes possession of the premises demised by the Lease and confirms to Landlord the assumption of the Lease by Action Duct Cleaning or its designee as tenant thereunder, Landlord shall recognize Action Duct Cleaning as tenant under the Lease, and Action Duct Cleaning, or its designee shall not be liable for prior defaults or for obligations prior to the date of such assignment to Action Duct Cleaning.

Tenant represents and warrants to Action Duct Cleaning that it has full power and authority to so assign the Lease and its interest therein and that Tenant has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby to any party other than Action Duct Cleaning or an Action Duct Cleaning designee.

Upon default by Tenant under the Lease or under the franchise agreement for an Action Duct Cleaning business between Tenant and Action Duct Cleaning (the "Franchise Agreement"), or in the event of a default by Tenant under any document or instrument securing said Franchise Agreement, Action Duct Cleaning shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Tenant therefrom and, in such event, Tenant shall have no further right, title or interest in the Lease.

Tenant agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Action Duct Cleaning. Through the term of the Franchise Agreement and any renewals thereto, Tenant agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that said option must be exercised, unless Action Duct Cleaning otherwise agrees in writing. Upon failure of Action Duct Cleaning to otherwise agree in writing, and upon failure of Tenant to so elect to extend or renew the Lease as stated herein, Tenant hereby appoints Action Duct Cleaning as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Tenant for the sole purpose of effecting such extension or renewal.

This _______ day of ______________________, 202___

Initials

TENANT:

By: ______________________

Name: ______________________

Title: ______________________

Witness: ______________________

____

Notary Public

FRANCHISEE OWNERS:

By: ______________________

By: ______________________

By: ______________________

By: ______________________

____

Notary Public

ACTION DUCT CLEANING FRANCHISING, INC.

By: ______________________

Name: ______________________

Title: ______________________

Witness: ______________________

____

Notary Public

Initials

ADDENDUM H TO THE FRANCHISE AGREEMENT

ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS

This Assignment is entered into this ______ day of _______________, _____, in accordance with the terms of that certain Action Duct Cleaning Franchising, Inc. Franchise Agreement (the "Franchise Agreement" between ______________________________ ("Franchisee") and Action Duct Cleaning Franchising, Inc. a California Corporation ("Franchisor"), executed concurrently with this Assignment, under which "Franchisor" granted "Franchisee" the right to own and operate an Action Duct Cleaning "Business" located at ____ (the "Facility").

For Value Received, "Franchisee" hereby assigns to "Franchisor", all of the right, title and interest in and to those certain telephone numbers listed below and regular, classified, internet or other telephone directory listings (collectively, the "Telephone Numbers and Listings") associated with Franchisor's trademarks and service marks and used from time to time in connection with the operation of the Business at the address provided above. Except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the Telephone Company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as the Telephone Company) to effectuate the assignment pursuant to the terms thereof.

ACTION DUCT CLEANING FRANCHISING, INC.		FRANCHISEE:	
By:	______________________________	By:	______________________________
Name:	______________________________	Name:	______________________________
Title:	______________________________	Title:	______________________________

Telephone Numbers

____________________________________ ____________________________________

____________________________________ ____________________________________

____________________________________ ____________________________________

Initials

ADDENDUM I TO THE FRANCHISE AGREEMENT

SAMPLE NON-DISCLOSURE AND NON-COMPETITION PROVISIONS FOR GENERAL MANAGERS

1. In consideration for employment, the undersigned, wishing to become a General Manager of _______________________________, a Franchisee of **Action Duct Cleaning Franchising, Inc**, agrees to take the Action Duct Cleaning (hereinafter referred to as Franchisor) basic course in management of a cleaning business providing HVAC duct cleaning, dryer duct cleaning, kitchen exhaust cleaning, industrial oven cleaning, industrial silo cleaning, chimney cleaning, gutter cleaning, Aeroseal duct sealing and related services under the Action Duct Cleaning logo within 30 days of the date hereof.

2. The undersigned shall not disclose to any unauthorized person any information pertaining to the Franchisee's business, including information concerning lesson plans, business sales, inventory and products lists; customer names, contact information, and purchases; marketing methods; advertising methods; equipment and supply sources; pricing techniques; and any other information represented as confidential by the Franchisee to the undersigned, without the Franchisor's specific written consent during the term of employment nor for one (1) years thereafter.

3. The undersigned shall not be involved directly or indirectly, as manager, general manager, sales agent, sales or management level employee, consultant, owner, or representative, in any business or business activity which is engaged wholly or partially in the business of a cleaning business or any air handling business substantially competitive with Franchisee's business, anywhere within an area defined by a fifty (50) mile radius of Franchisee's Protected Territory, during the term of employment, nor for a period of two years after its termination.

4. The undersigned expressly acknowledges and represents that, prior to entering into this Agreement, he/she was employed and earned a living in some occupation other than that contemplated by this Agreement, and would not be prevented or prohibited from being employed and earning a living upon the termination of this Agreement, whether voluntarily or involuntarily, in the event he/she was prohibited from engaging in the operation of an cleaning business.

The undersigned acknowledges that a copy of this Agreement will be immediately provided to Action Duct Cleaning Franchising, Inc., which is an intended third party beneficiary with the right to bring an action under this provision.

The undersigned further acknowledges that he/she has received a copy of this Agreement.

____________________ ____________________

Franchisee Printed Name

____________________ ____________________ ________

Signature Signature Date

Initials

ADDENDUM J TO THE FRANCHISE AGREEMENT

PROMISSORY NOTE

(Installment Payment)

$__________ State of California, ____________

For value received, the undersigned does hereby promise to pay in lawful money of the United States of America, to Action Duct Cleaning Franchising, Inc., 2333 Lincoln Avenue, Altadena, CA 91001, or its, successors, designee, assigns, or order ("HOLDER") at a place designated by HOLDER the sum

of____ and No/100 DOLLARS ($_________.00), plus accrued

interest at a rate of________ Percent (______%) simple interest, in cash or certified funds in the following manner:

(i) ____________________DOLLARS ($_______.00) due and payable on the ______ day of each

month, beginning on __________________ and continuing for ______ consecutive months; and

The MAKER hereof reserves the privilege of prepaying this note in whole or in part at any time without penalty and without the payment of any unearned interest. Any partial prepayment made shall not postpone the due date of any subsequent monthly installments or change the amount of such installments, unless HOLDER shall otherwise agree in writing.

Should a default occur in the payment of any installment under this note or in any provision contained herein or in the security agreement of even date herewith, the entire principal sum and accrued interest shall at once become due and payable, upon a ten (10) day written notice from date of receipt if accepted or from date of posting if not accepted specifying the default and sent certified mail to MAKER'S last known address, return receipt requested (said certified letter shall be deemed to be received whether claimed or unclaimed) or hand delivered, at the option of the HOLDER of this note.

MAKER shall have the right to cure said default during the notice period. Failure to exercise this option by HOLDER shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. MAKER and any surety, guarantor, endorser or other party including heirs, successors and assigns hereby waive presentment, notice, demand and protest and any homestead or exemption rights afforded them under State or Federal Laws.

MAKER agrees that the Franchise Agreement which is being purchased under an agreement of even date from Action Duct Cleaning Franchising, Inc., shall be security upon this note.

Any installment paid more than ten (10) days after its due date shall bear a late fee of five percent (5%) per month (or any portion thereof), or the maximum allowed by law if less.

Should this note, or any part of the indebtedness evidenced hereby, be collected by law or through an Attorney at Law, the HOLDER shall be entitled to collect attorney's fees in an amount equal to fifteen percent (15%) of the principal and interest, and all costs of collection.

Initials

HOLDER by acceptance of this instrument agrees that, at any time prior to maturity, it offers this note for discount, it will first offer the note to MAKER on the same terms and conditions as offered by a third party. MAKER shall have fifteen (15) days from date of notice of said offer to exercise its right of first refusal hereunder.

Time is of the essence of this NOTE.

No extension or any modification of this instrument shall limit the obligations of any party executing or guaranteeing this instrument.

This NOTE shall be construed in all respects and enforced in accordance with the laws of the State of California.

Witness by hand and seal this the first day above written.

WITNESS: MAKER:

_______________________________ _______________________________ (SEAL)

_______________________________, Individually
Printed Name

Initials

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

STATE	EFFECTIVE DATE
California	May 7, 2019

Initials

23. RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Action Duct Cleaning Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Action Duct Cleaning Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state officials in your state, as listed on the attached schedule of state agencies. In the states listed on the attached schedule of state agencies, we have designated the agency listed as its agent for service of legal process in each of the states listed.

The Franchisor's registered agent in the State of California is Dan Stradford. The Franchisor may receive service of process at 2333 Lincoln Avenue, Altadena, CA 91001 and his contact number is 626-791-7870.

Dan Stradford will act as the franchise seller. He is based at 2333 Lincoln Avenue, Altadena, CA 91001 and his contact number is 626-791-7870. James H. Deitz, Joseph McCord and The Franchise Doctor, Inc., P.O. Box 270066, 566 South McCaslin Blvd, Louisville, CO 80027, Phone 303-242-5868 may serve as franchise brokers in the sale of some Action Duct Cleaning franchises.

The date of issuance of this disclosure document is April 3, 2020.

I received a disclosure document dated April 3, 2020 that included the following Exhibits: Audited Financial Statements dated December 31, 2017, December 31, 2018 and December 31, 2019 (Exhibit A); Listing of Franchises (Exhibit B), Schedule of State Agencies (Exhibit C), State-Specific Amendments (Exhibit D), Franchise Agreement with Addenda (Exhibit F), and Table of Contents of Manuals (Exhibit E).

______________________ Witness	______________________________ Signature of Prospect
	______________________________ Printed Name
	______________________________ Address
	______________________________ City, County, State ZIP
	______________________________ Date

(Please sign and date this page and retain for your records)

Initials

23. RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Action Duct Cleaning Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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______________________ Witness

______________________________ Signature of Prospect

______________________________ Printed Name

______________________________ Address

______________________________ City, County, State ZIP

______________________________ Date

(Please sign and date this page and return it to Action Duct Cleaning Franchising, Inc.)

Initials