



Franchise Disclosure Document

Flex Franchise

Duraclean International, Inc.

an Illinois corporation

220 W. Campus Drive

Arlington Heights, IL 60004

(847) 704-7100

www.duraclean.com

The franchisee will operate either a service business for the professional care and cleaning of carpet and upholstery, the “Fabric Specialist Franchise”; or a service business for the professional care and cleaning of carpet and upholstery, tile and grout, duct cleaning and water damage restoration in both residential and commercial service centers, the Cleaning and Restoration Franchise. The business is a full-time opportunity with the option to expand into new markets and services you desire at your own pace.

The total investment necessary to begin operation of the Duraclean Fabric Specialist franchise is from \$38,695. to \$86,495. This includes \$29,995.00 that must be paid to the franchisor before the business opens.

The total investment necessary to begin operation of the Duraclean Cleaning and Restoration Franchise is from \$68,600. to \$117,900. This includes \$59,900 that must be paid to the franchisor before the business opens.

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

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

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

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

Issuance Date: March 28, 2018

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit C for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

OUR WEBSITE, www.duraclean.com 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.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES THAT YOU RESOLVE DISPUTES FOR MONIES DUE AND OWING BY LITIGATION IN COOK COUNTY, ILLINOIS. THE FRANCHISE AGREEMENT REQUIRES THAT YOU RESOLVE DISPUTES OTHER THAN THOSE FOR MONIES DUE AND OWING BY ARBITRATION ONLY IN COOK COUNTY, ILLINOIS. OUT OF STATE LITIGATION/ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE/ARBITRATE WITH US IN ILLINOIS THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT REQUIRES THAT ILLINOIS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOU MUST PAY US A MINIMUM ROYALTY FEE SEMI-MONTHLY, EVEN IF YOUR FRANCHISE BUSINESS HAS NO REVENUE.
4. YOU MUST PURCHASE A MINIMUM AMOUNT OF DURACLEAN PRODUCTS FROM US WHETHER OR NOT YOU CAN USE SUCH PRODUCTS.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date:

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Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document "Duraclean" means Duraclean International, Inc., the franchisor. Duraclean does not have a parent, predecessor or affiliate. "You" means the owner, partner, member or officer of the business entity who buys the franchise. Duraclean was founded over eighty-six years ago in 1930. It does business only under its corporate name. In 1983, the owners organized as an Illinois corporation. Our principal business address is Duraclean International, Inc., 220 W. Campus Drive, Arlington Heights, IL 60004. (Duraclean's agent for service of process is stated in Exhibit D.)

There are approximately 279 Duraclean franchises in operation (see Item 20).

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

You will be licensed to use the Duraclean name, training, and methods to engage in *any* or *all* of the listed profit centers. With these profit centers, you have the opportunity to engage in the business of professional mold remediation for residential and commercial properties. In addition you can perform water restoration for insurance companies plus carpet and upholstery cleaning servicing both the residential and commercial markets. We will assist you in analyzing which profit centers to begin with and when to consider adding additional ones.

The market for Duraclean services includes but is not limited to homes, apartments, condominiums, offices, hotels, motels, institutions and stores.

While Duraclean has offered cleaning franchises since 1946, Duraclean does operate franchises itself but does not have any other business activities. Our resources are exclusive to supporting the Duraclean franchise system.

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

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

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Item 2

BUSINESS EXPERIENCE

Vincent J. Caffarello, President and Treasurer

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

Wilbur A. Gage, Executive Vice President and Secretary

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

Danielle Canup, Vice President

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

Michael W. Higgins, Director of Market Expansion & Development

Started at Duraclean in March 2014. Prior to Duraclean from November 2013 to February 2014 Mike was a sales representative for Safe Step Tub in Burnsville, Minnesota and from August 2013 to November 2013 was Franchise Development Director for Re-Bath Corporation in Tempe, Arizona responsible for franchise recruiting. From July 2000 to March 2013 Mike was Director of Franchise Development for Roto-Rooter Corporation, West Des Moines Iowa, in charge of domestic and international franchise recruitment, operations, and administration.

David Marienau, Technical Services Manager

Started at Duraclean in April 2003. From September 2001 – April 2003 worked at Service Master Clean in Northbrook, IL and after 3 short months was promoted to Crew Chief. As Technical Service Manager at Duraclean David has been certified in many fields of the industry, responsible for training new employees on all aspects of the job, responsible for overseeing job completion and completing jobs himself. David was recently promoted to Director of Technical Services.

Cindy Gillespie, Administrative Services

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

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Item 3

LITIGATION

Actions

Vincent J. Ammirato, Gary J. Kulik, Kenneth H. Salbu and Robert J. Murphy v Duraclean International, Inc., U.S. District Court for the Eastern District of New York, Case No. CV 07-5204 (TCP) (ARL), Filed October 22, 2007.

The Plaintiffs were unknown to Duraclean International, Inc. They brought suit against us for non-payment of loans they claim to have made to Duraclean International, Inc. which we now understand have been made to a former franchisee terminated by Duraclean International, Inc. The allegations include deceptive trade practices and the operation of an illegal enterprise. The plaintiffs sought damages in the aggregate amount of the loans totaling \$625,000, interest, punitive damages, treble damages and costs and attorney's fees. We filed an answer denying the allegations of the complaint and vigorously defended our position at trial which concluded on October 8, 2010.

On July 13, 2011 United States Magistrate Judge Arlene Rosario Lindsay found in favor of Duraclean International, Inc. as the plaintiffs failed to prove their claim.

Other than this action, no litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5

INITIAL FEES

The initial Franchise Fee is \$19,500. When the Fabric Specialist franchise agreement is signed all applicants pay a lump sum payment of \$ 29,995.00 which includes the Franchise Fee, training at our corporate headquarters, manuals, vehicle graphics, printing, equipment, solutions, supplies, a business website, the first year site hosting & search engine optimization and the first year subscription to Duraclean's web based computer software.

When the Cleaning and Restoration franchise agreement is signed all applicants pay a lump sum payment of \$ 59,900.00 which includes the Franchise Fee, training at our corporate headquarters and in your territory, manuals, vehicle graphics, printing, equipment, solutions, supplies, a business website, the first year site hosting & search engine optimization and the first year subscription to Duraclean's web based computer software.

With this payment you can offer and provide any of the services supported by Duraclean. A portion of the initial payment for equipment may be leased with approved credit. All payments are non-refundable.

See Exhibit K1 for a list of the items included with each option.

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

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

Item 6

OTHER FEES

Type of fee	Amount	Due Date	Remarks
Franchise Royalty*	A minimum plus a percentage of total gross sales ¹ as follows: \$ 83 minimum for up to \$ 500 of revenue produced plus 8% of sales over \$ 500 and below \$ 3000; plus 6% between \$ 3000 and \$6000 and; 2% of all sales over \$6000.	Fifteenth & last day of the month	1./
Supplies*	Minimum of \$1250 Annually	During the year	See Item 8
Additional Items*	Varies	When Purchased	2./
Franchise Expenses	Varies	Varies	Advertising, Insurance, State & Local Taxes
Late Payment*	1-1/2% interest	Monthly	Unpaid Amount
Transfer of Franchise Ownership*	\$13,250.	When you sell your franchise	Transfer fee comes from your Franchise sale income
Costs & Attorneys' fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement
Indemnification	Will vary under circumstances	As incurred	You are solely responsible to customers for services performed
Administrative services*	Varies	As incurred	3./
Software annual renewal*	\$1,095.	Annually	Payable in advance annually

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

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

1./ The Franchise Royalty is compensation for use of the Duraclean marks and continuing services. Developed from over 87 years of experience and designed to build customer confidence, cut your operating costs and help bring service jobs to you, these services include continuous training, education, research and support. Your share of Duraclean's Franchise Royalty program to be reported via e-mail utilizing the Duraclean software reports and to be paid semi-monthly is \$ 83 minimum for up to \$ 500 of revenue produced plus 8% of sales over \$ 500 and below \$ 3000; 6% between \$ 3000 and \$6000 and; 2% of all sales over \$6000.

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

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

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

Item 7

**ESTIMATED INITIAL INVESTMENT
OUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Fabric Specialist Amount	Restoration & Cleaning Amount	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee	\$19,500	\$19,500	Lump Sum	With Franchise Agreement	Duraclean Int'l
Opening Inventory (6)	\$ 10495.00	\$ 40400.00	As Agreed	With Franchise Agreement	Duraclean Int'l
Business Liability Insurance (1)	\$1,500 - \$2,000 (annually)	\$1,500 - \$3,500(annually)	As Agreed	As Incurred	Third Parties
Business Vehicle Insurance (1)	\$1,200 - \$3,500	\$1,200 - \$3,500	As Agreed	As Incurred	Third Parties
Business Vehicle (4)	\$0 - \$30,000	\$0 - \$30,000	As Agreed	As Incurred	Outside Supplier
Training Expenses (5)	\$0 - \$1,000	\$0 - \$1,000	As Incurred	As Incurred	Third Parties
Additional Funds – Initial 6 Month Period (3)	\$6,000 - \$20,000	\$6,000 - \$20,000	As Incurred	As Incurred	Third Parties
Total Estimated Initial Investment (2)	\$38695. - \$86495.	\$68600. - \$117900.			

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

Explanatory Notes

1. You may obtain your business liability insurance locally from your own agent or in most states from Allstate Insurance Company and Gemini Insurance under the Duraclean DURASURE Business Insurance Program, a group property / casualty insurance plan. The monthly cost for this coverage is estimated to range from \$125 to \$500 and is dependent upon the operations, geographic location and payroll of your franchise. The property damage deductible, for 'property while being worked on', under the group plan is \$500. Coverage for 'property while being worked on' protects you from losses to your customers' goods while in your care for cleaning.

Insurance coverage for service vehicles and worker's compensation under the DURASURE Business Insurance Program. The service vehicle program offers deductibles from \$250 for comprehensive and collision coverages and includes no-fault and uninsured motorist coverage where required by law. The insured vehicle is to be used for business purposes only and all drivers operating it with your permission are insured. Depending upon the carrier and the franchise location, franchisees are currently obtaining this insurance coverage for approximately \$ 75 to \$ 300 per month per vehicle. Worker's compensation coverage is pursuant to applicable state statute.

Requests for insurance quotes will be handled directly by Allstate/Gemini. To obtain information on the Duraclean DuraSure insurance product please call **(800) 346-1031**. You may speak with **Brent Konieczny**. You may find it easier to obtain information by e-mailing Brent at bkonieczny@bisa-inc.com.

Duraclean has no financial interest in Allstate Insurance Company, Gemini Insurance Company or Bonding & Insurance Specialists Agency, Inc. and receives no payments from them.

2. Franchise owners generally start operations from their homes and move to other quarters when their business outgrows the home environment. When you operate your franchise from your home, you will not have expenses for such items as real property, leasehold improvements, fixtures, construction, remodeling and security deposits. Duraclean cannot reasonably estimate your required expenditures when you determine not to operate the franchise out of your home. The amounts will vary depending upon the type of location you select, whether purchased or leased and whether or not remodeled and furnished.
3. This item estimates your initial six month start-up expenses. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill and business experience; local economic conditions; the local market for your services; competition; and the sales level reached during the initial period. These estimates are based on Duraclean's eighty-seven years of experience.
4. You may use your existing white van, you may purchase a used white van or you may choose to begin your business with the purchase or lease of a new white van.
5. You are responsible for additional travel expenses that may be incurred during Duraclean's Success Institute.
6. This amount includes equipment, solutions, supplies, manuals, vehicle graphics, printing, a business website template and the first year subscription to Duraclean's web based computer software.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To maintain quality standards throughout the Duraclean Franchise System, you are obligated to purchase from Duraclean only the service equipment, chemical concentrates and materials required to provide the highest quality of service guaranteed by franchisees and Duraclean in their advertising to consumers. In the year ending December 31, 2017, Duraclean's revenues from the sale of equipment, supplies and chemical to franchisees were \$132,585. or < 9.4% of Duraclean's \$1,415,363. total revenue. Duraclean Officers do not own an interest in any of its suppliers.

To preserve the goodwill associated with Duraclean trade names and service marks and to protect Duraclean from potential claims for damages arising out of the use of other service equipment or cleaning materials, you agree to use only Duraclean approved methods, equipment, chemicals, materials, uniforms,

vehicle signing and standards, as in the Duraclean Standards Manual and in the Duraclean Instruction Manuals which are issued to you. These specifications include equipment, chemical, and service standards. No substitutes or additives are permissible unless you can satisfy Duraclean that machines and/or concentrates available to you from other sources meet Duraclean's laboratory specifications to maintain high standards for quality, safety to fibers and fabrics, colors, and performance. Duraclean believes it unlikely that you will be able to find equipment or chemicals meeting Duraclean's standards at a cost competitive with the prices at which Duraclean offers such equipment and chemicals to its franchisees.

Before purchasing or using any materials, from unauthorized suppliers, you must submit a sample to Duraclean for testing and approval. Duraclean will pay for the costs of these tests. The approval of these samples will not be withheld unreasonably and you will be notified in writing typically within 30 days.

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

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

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

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

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

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

Liability & Medical Expenses	\$1,000,000.
Medical Expenses / any one person	\$ 5,000.
Personal & Advertising Injury	\$1,000,000.
Fire Legal Liability	\$ 300,000.

Aggregate Limits

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

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

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

Duraclean must be named as an additional insured with an appropriate Franchisor additional insured endorsement on each insurance policy. You will furnish Duraclean with proof of coverage upon request.

If you decide to pursue Mold Remediation and/or specialize in Water Damage Restoration Duraclean requires that you purchase Contractor's Pollution Liability Insurance (\$1,000,000) in addition to that coverage required above.

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

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement		Disclosure Document Item	
a. Site selection and acquisition/lease	Section	III.	Item	7, 11, 12
b. Pre-opening purchases/leases	Section	I & III	Item	7, 11
c. Site development and other pre-opening requirements	Section	III	Item	7, 11, 12
d. Initial and ongoing training	Section	I & II	Item	11
e. Opening	Section	III	Item	7, 8
f. Fees	Section	II & IV	Item	5, 6
g. Compliance with Standards and policy/ Operating Manual	Section	III	Item	6, 8
h. Trademarks and proprietary information	Section	II & III	Item	13 & 14
i. Restrictions on products/ services offered	Section	III	Item	8 & 16
j. Warranty and customer service requirements	Section	III	Item	8

Obligation	Section in Franchise Agreement		Disclosure Document Item	
k. Territorial development and sales quotas	Section	III	Item	12
l. Ongoing product/Service purchases	Section	III	Item	6, 8
m. Maintenance, appearance and remodeling requirements	Section	III	Item	7
n. Insurance	Section	III	Item	7
o. Advertising	Section	I & II	Item	11
p. Indemnification	Section	IV	Item	10
q. Owner's participation/management/staffing	Section	III	Item	15
r. Records/reports	Section	III	Item	6
s. Inspections/audits	Section	III	Item	6
t. Transfer	Section	V	Item	17
u. Renewal	Section	VI	Item	17
v. Post-termination obligations	Section	VI	Item	17
w. Noncompetitive covenants	Section	VI	Item	17
x. Dispute resolution	Section	VII	Item	17
y. Owners/Shareholders Guarantee	Signature Page Exhibit A-3		Item 15	

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Item 10

FINANCING

Summary of Financing Offered

Duraclean does not offer financing.

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

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

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

Duraclean does not guarantee your obligations to third parties.

Item 11

**FRANCHISOR'S ASSISTANCE, ADVERTISING,
COMPUTER SYSTEMS and TRAINING**

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

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

1. Furnish *confidential* Duraclean Instruction Materials with diagrams and photographs explaining step by step how to render each service, how to market customers, how to operate *every phase* of the business. (Franchise Agreement Section I.1)
2. Provide you with of instruction at Duraclean's *Success Institute* to learn methods of operating your franchise. (Franchise Agreement Section I.2)
3. Provide you with vehicle graphics, personalized printing, marketing materials and your first year's subscription for Duraclean web based software to operate and grow your service business. (Franchise Agreement Section I.4, Section I.8 & Section I.13)
4. Assign you a jointly determined marketing area, called a Primary Marketing Area, where you must maintain a telephone and a street address or post office box address for customer contact purposes. (Franchise Agreement Section III.8)

Franchises typically open their business 30 – 45 days after the Agreement is signed or the first payment of consideration, whichever is earlier. The franchise opening is immediate upon the completion of Duraclean's pre-opening obligations. Factors that may affect opening time include financing, weather conditions, shortages, and the installation of vehicle graphics.

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

- 1) Provide a business website template including hosting and optimization for 12 months to help you with visibility in your market.
- 2) Furnish business builders such as full-color ad mailers, various sales folders, 4-color "business-getting" postcards, quotation pads and cooperating retailer programs. (Franchise Agreement Section I.5)
- 3) Furnish business building materials imprinted with your franchise name, address and telephone. This includes envelopes, letterhead and business cards. (Franchise Agreement Section I.6)
- 4) Pay for Duraclean image wear, consisting of two hundred dollars toward the purchase of shirts, slacks, etc. (Franchise Agreement Section I.9)
- 5) Provide electronic reports, record forms and files (Franchise Agreement Section III.13 & III.14)

- 6) Maintain an advisory staff of experienced specialists at Franchise Headquarters. (Franchise Agreement Section II.3)
- 7) Conduct Success Institute graduate courses, sales training seminars and regional workshops for franchise owners from coast to coast and international conventions so that you can exchange experiences with other franchise owners, hear expert speakers, get answers to questions and keep up-to-date on new developments in the industry. You are encouraged to attend these meetings; you pay only your own travel and living expense. (Franchise Agreement Section II.4 & Section II.7)
- 8) Maintain experienced, trained people who help you with services and marketing programs in the field. (Franchise Agreement Section II.9)
- 9) Publish the Duraclean on-line *JOURNAL* and periodic bulletins that provide the latest technical information, sales aids and other business-builders exclusively for Duraclean franchise owners. (Franchise Agreement Section II.6)
- 10) Update Duraclean Instruction materials. (Franchise Agreement Section II.5)
- 11) Maintains both chemical and equipment research and development to improve your services; also, to aid you on any unusual service situation. (Franchise Agreement Section II.13)
- 12) Warrant equipment to be free from obvious defects in material and workmanship for a period of six months from the date you receive it and during this period will send you replacement parts in exchange for defective ones. (Franchise Agreement Section II.14)
- 13) Provide a complete line of high quality chemical concentrate products, specially formulated for use with each piece of equipment. (Franchise Agreement Section II.11)
- 14) Provide equipment and supplies used to provide services supported by Duraclean. (Franchise Agreement Section I.4; Section III.11)

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

- a) Provide, within your Primary Market Area, use of the phone number 800-TO-CLEAN (800-862-5326). The service will be at no charge for the first 12 months, \$25 per month for the second 12 months and after that *may* increase based on your usage. When your customer dials 800-862-5326 the call will be directed to the phone number you choose. (Franchise Agreement Section III.5)
- b) Outline marketing, advertising, and promotional programs based on many years of experience in the cleaning field for you to implement in local markets. (Franchise Agreement Section I.12)
- c) Contact carpet mills, furniture manufacturers, and similar businesses to communicate the superior qualities of Duraclean processes to such firms. (Franchise Agreement Section II.18)

Computer Systems - Duraclean Software. Duraclean requires the use of its web based software package (first year service included with your initial purchase, the current annual cost for a single user renewal is \$1095) that delivers sales, marketing and management functions to your business through a powerful program that's organized for ease of use. This software was developed to incorporate all your business needs including estimates, invoices, customer files, letters, labels, scheduling, accounts receivable, business analysis reports, work orders, invoices and statements. Duraclean's support can include evaluating your present hardware or helping you scope out new hardware which can be purchased for \$600 or more, depending on your personal requirements. The hardware required to utilize Software is as follows:

- Intel Core2Duo or equivalent CPU, 2 GHZ or faster
- 2 GB RAM recommended
- 1280x1024 or higher resolution recommended
- Microsoft Windows Vista, Windows 7 or Windows 8 (8RT not supported), Microsoft Internet Explorer 9.0 or higher
- Internet Access connection with adequate downstream bandwidth is required

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

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

With the Cleaning and Restoration Franchise Duraclean will provide a ten day Success Institute including five days in Arlington Heights at the Corporate Headquarters and five days in your Territory.

With the Fabric Specialist Franchise Duraclean will provide a six day Success Instituted including 3 days in Arlington Heights at the Corporate Headquarters and 3 days in your Territory.

The subjects covered are as described in the following table:

TRAINING PROGRAM

Subject	Fabric Specialist		Restoration & Cleaning		Location
	Classroom Hours	On the Job Hours	Classroom Hours	On the Job Hours	
Business Plan	3		3		Arlington Heights
Carpet Cleaning	4	2	4	2	Arlington Heights
Upholstery Cleaning	3	2	3	2	Arlington Heights
Solution Comparison	1		1		Arlington Heights
Water Damage Rest.			2	5	Arlington Heights
Mold Remediation			2	2	Arlington Heights
Duct Cleaning			2	1	Arlington Heights
Tile & Grout Cleaning			1	1	Arlington Heights
Marketing	5		5		Arlington Heights
Website Development	.5		.5		Arlington Heights
Management	2		2		Arlington Heights
Working w/ Numbers	1.5		1.5		Arlington Heights
Safety & Health	1		1		Arlington Heights
Office Setup	1		1		Arlington Heights
Software System	1.5		1.5		Arlington Heights
License & Insurance	.75		.75		Arlington Heights
Office Review		1		1	In your area
Software Review		1.5		1.5	In your area
Area Market Review		2		3	In your area
Marketing Asset Rev	2	2	2	3	In your area
Prospect Visits & Rev	2	7	2	12	In your area
Follow up calls	2		2	3	In your area
Marketing Calendar	4		4		In your area
	34.25hr	13.5	41.25	36.5	

The Success Institute is held approximately five times each year in Arlington Heights, Illinois, at which you can learn service, salesmanship, advertising and methods of operation including “in-the-field” instruction in a friendly, relaxed atmosphere. There is no registration charge for attending. Do to the proprietary information contained in the training only individuals whose name is on the agreement will be allowed to attend. Members of the staff who are instructors collectively have over one hundred years of experience in the industry. The *Success Institute* is directed by by Vincent J. Caffarello, President of

Duraclean. Duraclean will pay room and board expenses for you, your spouse and partners authorized on the agreement who are registered in advance and Duraclean will give you one (1) round trip air ticket to Chicago, or pay car mileage allowance at .45 per mile up to value of air fare. You are responsible for additional expenses during Duraclean's Success Institute. During this period you will develop a step-by-step business plan with Duraclean's staff of experienced professionals, many of whom have operated businesses offering the same services you will be offering, to help you in the orderly and efficient start-up of your business. Talk with your counselors about your situation but it is generally recommended that, several weeks before you attend the Success Institute, you receive your equipment and supplies so you will be familiar with items and procedures when you arrive for the Success Institute training. You should avail yourself of the above described programs soon after commencing operations. You are required to attend the Success Institute within two months after you sign the Franchise Agreement. (Franchise Agreement paragraph I.3).

In addition to the training outlined above and within 18 months of acceptance of your Agreement, Duraclean will send a representative to your area to assist you with working your first marketing event. Duraclean will support the following services with processes, equipment and products. (Franchise Agreement paragraph I.5)

Carpet and basic Upholstery Cleaning¹
Water Damage Restoration²
Advanced Upholstery and Drapery Cleaning
Mold Remediation
Tile and Grout Cleaning²

Fire and Smoke Damage Restoration
Janitorial Cleaning
Hard Surface Floor Cleaning
Duct Cleaning^{*2}
Trauma Cleanup

1 - Basic FABRIC SPECIALIST Franchise Training - outlined above as Duraclean Success Institute Training Program

1 & 2 Basic Cleaning and Restoration Franchise Training – outlined above as Duraclean Success Institute Training Program

Item 12

TERRITORY

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

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

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

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

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

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

Item 13

TRADEMARKS

Duraclean grants you a nonexclusive license to operate a cleaning service franchise under the name Duraclean. You may also use our other current or future trademarks to operate your franchise. By trademark Duraclean means trade names, trademarks, service marks and logos used to identify your business services and products.

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

	<u>Registration Date</u>	<u>Registration Number</u>	<u>Register</u>	<u>Renewal Date</u>
DURACLEAN	Nov. 29, 2005	3,019,689	Principal	Nov. 29, 2025
SPOTCRAFT	Nov. 11, 1958	669,729	Principal	Nov. 11, 2018
DURACLEAN	April 6, 1965	787,956	Principal	April 6, 2025
DURASHIELD PLUS	July 5, 1983	1,244,802	Principal	July 5, 2023
DURASHIELD PLUS	Sept. 18, 1984	1,295,310	Principal	Sept. 18, 2024
"Rose Flower Symbol"	May 10, 1983	1,237,678	Principal	May 10, 2023
FLOWER-FRESH	Aug. 21, 1984	1,291,488	Principal	August 21, 2024
FABRICRAFTER	July 9, 1985	1,347,221	Principal	July 9, 2025

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

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

	Registration Date	Registration Number	Renewal Date		Registration Date	Registration Number	Renewal Date
AL	3/11/58	109129	1/30/19	WV	1/18/58	N/A	perpetual
AK	10/27/60	243	3/22/19	WI	1/6/58	10300	11/14/97
AZ	1/6/58	12881	1/05/08	WY	1/27/58	245277	12/19/13
AR	1/6/58	800030456	3/25/19				
CA	2/6/58	107922	1/24/22				
CO	1/27/58	20081641219	12/10/18				
CT	3/19/58	20990	7/05/20				
DE	1/21/58	N/A	2/22/19				
FL	1/21/58	T08000001398	12/19/18				
GA	1/8/58	T-869	1/8/08				
HI	11/9/60	4022013	4/21/19				
ID	1/27/58	19510	5/29/18				
IL	6/7/58	067364	9/24/20				
IN	1/27/58	2008-0392	5/28/18				
IA	1/14/58	W00523694	4/02/22				
KS	1/20/58	17949	5/5/19				
KY	1/27/58	16983	6/10/18				
LA	1/22/58	N/A	12/18/18				
ME	1/27/58	19800269M	12/31/20				
MD	1/27/58	90-7274	10/9/20				
MA	2/10/58	80274	1/29/20				
MI	1/28/58	M47-009	12/29/18				
MN	4/2/58	598	4/24/21				
MS	1/27/58	10077757	6/23/18				
MO	1/10/58	00474	5/6/22				
MT	1/17/58	22009	1/22/22				
NE	1/16/58	1000127583	9/24/20				
NV	1/27/58	N/A	1/9/22				
NH	1/27/58	N/A	11/6/19				
NJ	1/20/58	9655	4/4/17				
NM	3/20/58	5379	3/20/08				
NY	3/5/58	R-29829	2/17/22				
NC	3/10/58	444	1/1/20				
ND	1/21/58	12468	1/21/18				
OH	3/8/58	3132	12/17/18				
OK	1/6/58	32104	1/17/22				
OR	3/11/58	T-1322	7/6/19				
PA	3/4/58	2945745	3/1/20				
RI	3/24/58	75-10-32	10/1/26				
SC	1/22/58	N/A	11/18/21				
SD	1/28/58	N/A	3/26/18				
TN	1/21/58	9000015808	1/21/18				
TX	1/27/58	800985343	5/29/18				
UT	1/28/58	7452093-0190	8/27/19				
VT	1/6/58	M008916	3/27/27				
VA	1/22/58	2357	2/15/22				
WA	3/13/58	32202	3/10/19				

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

	Registration Date	Registration Number	Renewal Date
Australia	11-03-87	A475836	11-03-18
Benelux	11-10-87	436290	11-10-27
	04-21-78	352080	04-21-18
Brazil	06-01-93	817303502	12-06-24
	09-04-96	819463477	05-25-19
Brunei	09-01-97	TMA28188	09-01-24
Canada	06-29-55	100896	06-29-30
China	11-28-99	1339957	11-27-19
Ecuador	09-15-95	1818/98	11-23-18
Great Britain	10-15-65	885606	10-05-20
	11-10-87	1326444	11-10-24
Indonesia	07-30-94	341450	07-30-24
Ireland	06-19-67	71902	06-19-22
Italy	10-16-69	252918	10-16-19
Japan	02-14-95	4065325	10-03-27
Jordan	03-23-89	27033	02-23-20
Malaysia	08-30-97	97012363	08-30-24
Mexico	10-1-14	1533125	application
	01-25-05	698634	01-25-25
Nigeria	02-19-81	38869/81/3	application
Norway	12-23-64	65363	12-23-24
Panama	09-05-00	109766	09/05/20
Saudi Arabia	12-17-80	111/62	01-23-20
Singapore	08-28-97	97/10579	08-27-27
South Korea	04-30-84	4391	04-30-24
Trinidad	02-17-81	12535	02-16-19
Turkey	10-04-94	154350	10-06-24

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

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

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

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Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Duraclean holds three U. S. patents.

U. S. Patent 4,330,086 was issued on May 18, 1982. It describes a unique foam nozzle, its method of generating foam and how it is used in the Duraclean carpet cleaning machines. Foam bubbles have 20% to 30% less moisture compared to liquid cleaning sprays and the foam is applied and removed instantaneously. As a result, carpets become cleaner and dry faster.

U. S. Patent 4,360,946 was issued on November 30, 1982. It describes the unique apparatus and method for the Duraclean Extractovator® used for cleaning floor coverings. An innovative double overlap of the spray pattern eliminates streak marks on carpet. Shorter dwell time keeps carpet drier.

U. S. Patent 4,974,618 was issued on December 4, 1990. It describes how the Duraclean Fabricrafter® upholstery cleaning process extends the Duraclean "keep the fabric dry" objective. A unique "moving belt of compressed foam bubbles," along with safe cleaning products produces a clean, almost dry fabric surface on furniture, oriental rugs, etc.

Duraclean retains sole ownership of the patents and copyrights that it has developed and may develop in the future. Duraclean's right to use these patents and copyrights is not materially limited by any agreement or infringing use.

The Duraclean Service Equipment, with the Duraclean foam bubbles, is used exclusively by authorized Duraclean franchisees.

All three patents contribute to the "Duraclean Difference."

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

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

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

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

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Item 15

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

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

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

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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

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

There are no other restrictions limiting your access to customers.

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Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

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

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

Additional paragraphs are required by the State of California Department of Corporations and can be found at Exhibit E.

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

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Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

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Item 20

Outlets and Franchisee Information

Table No. 1
System-wide Outlet Summary
For Years 2015 to 2017

Outlet Type	year	Outlets at the start of the year	Outlets at the end of the year	Net change
Franchised	2015	135	129	-6
	2016	129	128	-1
	2017	128	124	-4
Company-Owned	2015	9	9	0
	2016	9	9	0
	2017	9	9	0
Total Outlets	2015	144	138	-6
	2016	138	137	-1
	2017	137	133	-4

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other than Duraclean)
For Years 2015 to 2017

State	Year	Number of Transfers
South Carolina	2015	0
	2016	1
	2017	1
Massachusetts	2015	1
	2016	0
	2017	0
Georgia	2015	1
	2016	0
	2017	0
Illinois	2015	1
	2016	1
	2017	0
Florida	2015	0
	2016	0
	2017	1
Total	2015	3
	2016	1
	2017	2

Table No. 3
Status of Franchised Outlets
For Years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	1	0
	2017	0	0	0	0	0	0	0
Alaska	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
California	2015	7	0	0	0	0	0	7
	2016	7	0	0	0	0	0	7
	2017	7	0	0	0	0	1	6
Colorado	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Connecticut	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
Delaware	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Florida	2015	11	1	0	0	0	1	11
	2016	11	0	0	0	0	0	11
	2017	11	0	0	0	0	0	11
Georgia	2015	9	0	0	0	0	0	9
	2016	9	0	0	0	0	0	9
	2017	9	0	0	0	0	0	9
Hawaii	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Idaho	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Illinois	2015	11	0	0	0	0	0	11
	2016	11	0	0	0	0	1	10
	2017	10	0	0	0	0	1	9
Indiana	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
Iowa	2015	5	0	0	0	0	0	5
	2016	5	0	0	0	0	0	5
	2017	5	0	0	0	0	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Kentucky	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Louisiana	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
Maine	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Maryland	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
Maryland	2015	7	0	0	0	0	0	7
	2016	7	0	0	0	0	0	7
	2017	7	0	0	0	0	0	7
Michigan	2015	7	0	0	0	0	0	7
	2016	7	0	0	0	0	0	7
	2017	7	0	0	0	0	0	7
Missouri	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
New Hampshire	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
New Jersey	2015	5	0	0	0	0	0	5
	2016	5	0	0	0	0	0	5
	2017	5	0	0	0	0	0	5
New York	2015	7	0	0	0	0	0	7
	2016	7	1	0	0	0	0	8
	2017	8	0	0	0	0	0	8
North Carolina	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	1	1
	2017	1	0	0	0	0	0	1
North Dakota	2015	2	0	0	0	0	1	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Ohio	2015	4	0	0	0	0	1	3
	2016	3	1	0	0	0	0	4
	2017	4	0	0	0	0	0	4
Oklahoma	2015	2	0	0	1	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Pennsylvania	2015	7	0	0	0	0	0	7
	2016	7	0	0	0	0	0	7
	2017	7	0	0	0	0	0	7

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
South Carolina	2015	6	0	0	0	0	0	6
	2016	6	0	0	0	0	0	6
	2017	6	0	0	0	0	0	6
South Dakota	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Tennessee	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Texas	2015	5	0	0	0	0	0	5
	2016	5	0	0	0	0	0	5
	2017	5	0	0	0	0	0	5
Utah	2015	1	0	0	1	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Vermont	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	1	0	0	0	0
Virginia	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
West Virginia	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Wisconsin	2015	4	0	0	0	0	2	2
	2016	2	0	0	0	0	1	1
	2017	1	0	0	0	0	0	1
Total	2015	135	1	0	2	0	5	129
	2016	129	3	0	0	0	4	128
	2017	128	0	1	0	0	3	124

Table No. 4
Status of Company-Owned Outlets
For Years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Illinois	2015	9	0	0	0	0	9
	2016	9	0	0	0	0	9
	2017	9	0	0	0	0	9
Total	2015	9	0	0	0	0	9
	2016	9	0	0	0	0	9
	2017	9	0	0	0	0	9

Table No. 5
Projected Openings as of December 31, 2017

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Florida	0	2	0
Georgia	0	1	0
North Carolina	0	2	0
Maryland	0	2	0
Ohio	0	2	0
Pennsylvania	0	1	0
South Carolina	0	2	0
Total	0	11	0

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

The names of all franchisees and the addresses and telephone numbers of all of their outlets in the United States are listed in Exhibit F. There was 1 franchise reacquired by Duraclean during the past three years.

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

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

Item 21

FINANCIAL STATEMENTS

Duraclean's audited Balance Sheet, Statement of Income and Expense, and Statement of Charges in Financial Position as of December 31, 2017, December 31, 2016 and December 31, 2015 are in Exhibit B.

Item 22

CONTRACTS

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

Item 23

RECEIPTS

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



AP 98 EXHIBIT PACKAGE

Exhibits

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

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

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

The Franchise is either a service business for the professional care and cleaning of carpet and upholstery, the “Fabric Specialist Franchise” or a service business for the professional care and cleaning of carpet and upholstery, tile and grout cleaning, duct cleaning and water damage restoration, the “Cleaning and Restoration Franchise”, in both residential and commercial venues. The business is a full time opportunity which may be expanded in the directions you desire at your own pace.

This Franchise Agreement sets forth the teamwork and cooperation working together to locate, service and satisfy Duraclean customers in your Primary Marketing Area.

I. HOW DURACLEAN WORKS WITH YOU TO ESTABLISH YOUR BUSINESS

Transfer of Knowledge

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

Home Study

1. Duraclean will furnish *confidential* Duraclean Instruction Materials for the services you choose with diagrams and photographs explaining step by step how to render each service, how to market customers, how to operate *every phase* of the business. These instructions are clear and complete.

Success InstituteSM

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

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

Initial Shipment

4. Based upon on the Franchise package purchased, Duraclean will provide you with equipment, solutions & supplies, vehicle graphics, personalized printing, marketing materials, business website template including hosting and optimization for 12 months and your first year’s subscription for software to operate and grow your service business. You may also purchase equipment, supplies and materials for any of the services that you consider adding. Duraclean supports the following services:

Carpet & Upholstery Cleaning¹

Water Damage Restoration²

Advanced Upholstery & Drapery Cleaning

Mold Remediation

Tile and Grout Cleaning

Fire and Smoke Damage Restoration

Janitorial Cleaning

Hard Surface Floor Cleaning

Duct Cleaning²

Trauma Cleanup

1 - *Basic FABRIC SPECIALIST Franchise Training*

1 & 2 *Basic Cleaning and Restoration Franchise Training*

5. Duraclean will reveal to you the tested, widely proven customer creating methods and the business development plans that have successfully expanded franchises worldwide and will furnish business builders such as full-color ad mailers, various sales folders, four color “business-getting” postcards and job quotation pads.

6. Duraclean will provide business-builders with your firm name, address and telephone. This includes envelopes, extra letterheads and business cards.

7. Duraclean will provide a certificate for \$200 toward your choice of official Duraclean Image Wear including jackets, shirts, slacks and T-shirts with Duraclean identification.

8. Based upon successful experience, Duraclean will advise what forms of marketing and procedures should be most helpful for you.

9. Duraclean will provide you a convenient, personalized, very easily learned Business Management Software system.

II. THE EXCLUSIVE DURACLEAN PROGRAM

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

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

Exclusive Trademarks

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

Duraclean®
Flower Fresh®
Spotcraft®

Durashield Plus®
Fabricrafter®



Duraclean will maintain registrations of trade names, service marks and trademarks.

Continuous Training, Education and Support

2. Duraclean will take an active and personal interest in the development and growth of your franchise.

3. Duraclean maintains an advisory staff of experienced specialists. You may visit, write, fax, E-mail or phone them on Duraclean’s “800” toll-free telephone for advice, support and/or plans to promote the success of your franchise.

4. Duraclean will provide field support and conduct periodic field meetings to bring new programs and ideas to you and to give all franchisees an opportunity to meet and exchange ideas.

5. Duraclean will create detailed, professional sales and instruction materials and keep them up to date.

6. Duraclean will provide a steady flow of business information through the *Duraclean on-line Journal* and periodic technical and business bulletins exclusively for Duraclean franchisees.

7. Duraclean will conduct annual meetings (no registration or attendance fees) so you may exchange experiences with franchisees, hear experts speak on subjects that are intended to improve your business, participate in staff conducted workshops on all phases of business and learn new trends and developments in the industry.

8. Duraclean will work with insurance vendors to design group insurance programs through which you may purchase business insurance from providers at group rates. Programs, providers, underwriters, coverages and premiums may vary from time to time. Duraclean will not receive any payment or other financial benefit from your purchase of such group insurance.

9. Duraclean maintains experienced, trained personnel who contact and help you with your service and marketing programs in the field. Duraclean also provides service representatives at Duraclean's headquarters who are responsible for handling your calls, questions and orders to assure that your requests are responded to promptly and by appropriate personnel.

Unique Processes, Equipment and Products (The "Duraclean Difference")

10. Duraclean will authorize you to use its patent protected processes and its patent protected equipment and exclusive products.

11. Duraclean will provide you a complete line of *high quality chemical* products, laboratory formulated for use with each piece of equipment.

12. Duraclean maintains an educated staff to aid you with any unusual service situations.

13. Duraclean supports a Research and Development program, manned by professional and technical personnel, to monitor and upgrade the performance of equipment and chemical formulations and to seek out and develop new products and services that can expand the markets served by you.

14. Duraclean warrants service machines to be free from mechanical defects in material and workmanship, under normal use when operated and maintained in accordance with operating instructions in Duraclean Instruction Materials, for a period of six months from date you receive it from Duraclean and will, during this period send you a replacement part in exchange for defective one.

Business Builders

15. Duraclean will authorize you to use its copyright protected business-building materials.

16. Duraclean, at low cost through quantity purchasing, will supply folders, booklets, letterheads, business cards, vehicle decals, and other customer creating materials that set you apart from local independent cleaners.

17. Duraclean will assist you in preparing marketing plans and local promotions.

18. Duraclean will contact carpet mills, furniture manufactures and other prestige building firms and demonstrate the superior qualities of your Duraclean processes to such firms.

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

Royalty Decreases with Growth

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

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

III. HOW YOU CONDUCT YOUR FRANCHISE

Independent, Reputable Business

1. As owner of this franchise, you are an independent business person. You work when you want, do what you want. You set your own prices, determine your own working hours, select your prospective customers, select and direct your service people, are solely responsible to customers for services performed, and control franchise income and expenses. Under no circumstances shall you and Duraclean be considered joint ventures, partners, or agent for the other. You are an independent contractor.

2. You will use only the firm name authorized by Duraclean and will hold *confidential* all materials, techniques, and information furnished for exclusive use of Duraclean franchisees. You acknowledge that Duraclean has exclusive rights to trade names, services marks and trademarks and that any use of the Duraclean mark requires Duraclean approval and that all use inures to the benefit of Duraclean.

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

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

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

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

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

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

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

coverage must be per occurrence or as required by statute.

Duraclean must be named as an additional insured with an appropriate Franchisor additional insured endorsement on each insurance policy. You will furnish Duraclean with proof of coverage upon request.

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

If you decide to pursue Mold Remediation or specialize in Water Damage Restoration Duraclean requires that you purchase Contractor's Pollution Liability Insurance (\$1,000,000) in addition to that coverage required above.

5 You will use of the phone number 800-TO-CLEAN (800-862-5326) within your Primary Market Area. The service will be at no charge for the first 12 months, \$25 per month for the second 12 months and after that *may* increase based on your usage. When your customer dials 800-862-5326 the call will be directed to the phone number you choose which will only be from telephone exchanges within assigned Primary Marketing Area. Advertising in phone books extending beyond your PMA must indicate the area serviced by your franchise.

Develop Business

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

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

Primary Marketing Area

8. In order to give you the maximum opportunity to build your Duraclean business, a jointly determined protected marketing area, called a Primary Marketing Area, will be established and assigned to you by Duraclean. Within this Area, you may operate your business from a single Operating Address at which you will locate as many service crews, sales people and vehicles as desired. To establish the Primary Marketing Area a number of factors will be taken into account, such as; population of the area, number of residential households by income strata, potential for commercial business, etc. Duraclean reserves the right to establish revenue stipulations. You will concentrate your business acquiring and servicing efforts in the Area, which need not necessarily be the city in which you live. Advertising, including websites and social media, extending beyond your PMA must indicate the Area serviced by your franchise. If the Area is not where you live, you must maintain a telephone and an address (P.O. Box will qualify) within the Area for customer contact purposes. The Area and the Address may be changed by mutual agreement.

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

Maintain Duraclean Standards of Superiority

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

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

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

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

13. You will report all services performed through Duraclean's t software program. Required reports with all necessary information including full customer name, address, telephone number, invoice number and invoice date will be transmitted to Duraclean electronically.

14. To enable Duraclean to give specific assistance as needed and for Duraclean to continue to build its base of knowledge, you will e-mail to Duraclean a Monthly Sales by Source Report and Sales by Service Report, both of which are prepared by the Duraclean software system.

IV. PAYMENT FOR FRANCHISE

☐ The *Basic Fabric Specialist Franchise* is \$29,995: all applicants pay a lump sum payment of \$ 29,995.00 which includes the Franchise Fee, training at our corporate headquarters, manuals, vehicle graphics, printing, equipment, solutions, supplies, a business website, the first year site hosting & search engine optimization and the first year subscription to Duraclean's web based computer software.

☐ The *Basic Cleaning and Restoration Franchise* is \$59,900 which includes the Franchise Fee, carpet & upholstery cleaning, water restoration & duct cleaning equipment, solutions & supplies, vehicle graphics, printing, business website template including hosting and optimization for 12 months and the first year subscription to Duraclean's web based computer software. All Duraclean prices are in United States dollars. Add taxes and shipping to above payment where applicable.

Please check the Franchise of your choice.

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

V. RESALE PRIVILEGE

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

VI. FRANCHISE TERM AND RENEWAL

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

Area which offers services similar to those previously offered by you to your Duraclean customers. The two year period begins when Agreement is terminated or non-renewed, or if later, the date upon which you comply with this covenant. You will have all of your business telephones disconnected without referral unless the referral is to another Duraclean franchisee. You authorize Duraclean to make such telephone change in your behalf by signing a Letter of Agency assigning the telephone number(s) and you agree to hold the telephone company harmless for such action. You will compensate Duraclean for refusal to take any of the actions in this Section or in Section 5 above by paying Duraclean \$100 per day as liquidated damages until such date actions are fully taken.

VII. UNDERSTANDING WITH DURACLEAN

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

Signatures

Date _____

You Sign Here _____**Print Name** _____ **Address** _____

City _____ State _____ 9 digit Zip _____

Telephone (____) _____ Fax (____) _____

A partnership with spouse or other person, partner signs here: _____**Print Name** _____ **Address** _____

City _____ State _____ 9 digit Zip _____

Telephone (____) _____ Fax (____) _____

If a third partner, third partner signs here: _____**Print Name** _____ **Address** _____

City _____ State _____ 9 digit Zip _____

Telephone (____) _____ Fax (____) _____

If applicant is a corporation, complete this section:_____
Name of Corporation by _____
President's Signature

Attest

Secretary's Signature

Corporation Address _____

City _____ State _____ 9 digit Zip _____

Telephone (____) _____ Fax (____) _____

The Shareholders to execute a "Guaranty and Assumption of Obligations Agreement" provided by Duraclean.

If applicant is a limited liability company, complete this section:_____
Name of Limited Liability Company By: _____
Member/Manager

Limited Liability Company Address _____

City _____ State _____ 9 digit Zip _____

Telephone (____) _____ Fax (____) _____

The Members to execute a "Guaranty and Assumption of Obligations" provided by Duraclean.

Certification

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

County of: _____)

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

_____, Notary Public
Print Name

My Commission Expires: _____

[SEAL]

Ownership Appointment

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

The authorized firm name/Tradestyle for your franchise is:

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

The Primary Marketing Area for your franchise is:

The Operating Address for your franchise is:

Franchise No. _____

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

Duraclean International, Inc. by _____ title _____

Attest _____

Assistant Secretary

(Corporate Seal)

ADDENDUM

To Duraclean International, Inc.
Franchise Agreement
REQUIRED BY THE STATE OF CALIFORNIA

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.

In recognition of the requirements of the State of California Department of Corporations and the rules and regulations promulgated there under, the Franchise Agreement of Duraclean International, Inc. shall be modified as follows:

- 1) The following shall be inserted as the first paragraph of Section IV:

The California Department of Business Oversight requires us to defer payment of the initial franchise fee payment owed by the franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement. The franchise opening is immediate upon completion of training in Arlington Heights, Illinois. Duraclean franchisees work from home and begin immediately upon receipt of their equipment and training. Some franchisees are conversions, already equipped to provide service and many begin their Duraclean business by marketing prior to attending training.

- 2) The following shall be inserted as the fourth paragraph of Section IV:

To purchase the Franchise you make an initial payment of either \$10,495. or \$40,400., depending on the franchise chosen, plus the entire cost of additional equipment ordered with the balance of \$19,500. to be paid upon your completion of training.

- 3) The following shall be added to the end of Section VI:

- a) California Business and Professional Code Sections 20000 through 20043 provide rights to the franchise concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- b) 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.
- c) The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

- 4) The following shall be added to the end of Section VII:

- a) The franchise agreement requires application of the laws of Illinois. This provision may not be enforceable under California law.

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

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

Franchisor by _____
title _____ date _____

Franchised Territory

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

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

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

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

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

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

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

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

Confidentiality/Non-Competition Agreement

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

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

Duraclean®

GUARANTY AND ASSUMPTION OF OBLIGATIONS

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

_____, _____, by _____

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

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

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

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

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

Exhibit B

Audited Financial Statements

Years Ending 12/31/2017 – 12/31/2016– 12/31/2015

DURACLEAN INTERNATIONAL, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017, 2016 AND 2015

**DURACLEAN INTERNATIONAL, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016, AND 2015**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Duraclean International, Inc., which comprise the balance sheets as of December 31, 2017, 2016 and 2015, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' 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 of material misstatement.

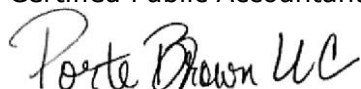
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duraclean International, Inc. as of December 31, 2017, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PORTE BROWN LLC
Certified Public Accountants

A handwritten signature in cursive script that reads "Porte Brown LLC". The signature is written in dark ink and is positioned above a horizontal line.

Elk Grove Village, Illinois
February 26, 2018

DURACLEAN INTERNATIONAL, INC
BALANCE SHEETS
DECEMBER 31, 2017, 2016 AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 27,356	\$ 5,522	\$ 21,624
Accounts receivable, net	303,971	129,520	74,601
Installment notes - current portion	42,890	41,124	34,333
Inventory	75,405	78,785	80,614
Prepaid expenses	21,145	18,348	24,311
	<u>470,767</u>	<u>273,299</u>	<u>235,483</u>
FIXED ASSETS			
Property and equipment	314,770	301,007	336,384
Less: Accumulated depreciation	(254,897)	(225,434)	(218,784)
	<u>59,873</u>	<u>75,573</u>	<u>117,600</u>
OTHER ASSETS			
Installment notes, (net of current portion included above)	41,186	64,681	95,404
Security deposits	12,239	12,239	12,239
Goodwill, net	42,775	42,775	42,775
	<u>96,201</u>	<u>119,695</u>	<u>150,418</u>
TOTAL ASSETS	<u>\$ 626,841</u>	<u>\$ 468,567</u>	<u>\$ 503,501</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank loan payable	\$ 10,000	\$ 5,000	\$ 7,500
Accounts payable	362,050	191,562	136,873
Current portion of long-term debt	38,069	49,436	91,598
Current portion of capital lease obligation	-	629	3,418
Current portion of deferred rent	9,558	6,188	2,818
Accrued expenses	33,530	20,930	38,945
	<u>453,207</u>	<u>273,745</u>	<u>281,152</u>
LONG-TERM DEBT			
Long-term debt (net of current portion included above)	70,617	107,427	157,216
Capital lease obligation (net of current portion included above)	-	-	606
Deferred rent (net of current portion included above)	7,191	16,749	22,937
	<u>77,808</u>	<u>124,176</u>	<u>180,759</u>
STOCKHOLDERS' EQUITY			
Common stock, Class V, \$100 par value; \$100,000	390,000	390,000	390,000
Additional paid-in capital	1,153,883	1,153,186	1,153,186
Retained deficit	(1,448,058)	(1,472,540)	(1,501,596)
	<u>95,825</u>	<u>70,646</u>	<u>41,590</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 626,840</u>	<u>\$ 468,567</u>	<u>\$ 503,501</u>

The accompanying notes are an integral part of these financial statements

DURACLEAN INTERNATIONAL, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015

	2017	2016	2015
SALES, NET	\$ 1,408,865	\$ 1,356,907	\$ 1,398,301
COST OF SALES	363,614	291,377	306,067
GROSS PROFIT	1,045,251	1,065,530	1,092,234
OPERATING EXPENSES			
Dealer development, training, & assistance	125,488	224,722	449,211
Sellings	84,044	65,598	73,279
General and administrative	779,256	753,291	577,601
	988,788	1,043,611	1,100,091
INCOME (LOSS) FROM OPERATIONS	56,463	21,919	(7,857)
OTHER INCOME (EXPENSE)			
Gain (loss) on sale of fixed assets		26,410	-
Bad debt expense	(4,525)	-	(12,980)
Interest	(27,247)	(19,273)	(28,617)
	(31,773)	7,137	(41,597)
NET INCOME (LOSS)	\$ 24,690	\$ 29,056	\$ (49,454)

The accompanying notes are an integral part of these financial statements

DURACLEAN INTERNATIONAL, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Common Stock Shares (1)	Common Stock Amount	Additional Paid-In Capital	Retained Deficit	Total
Balance, December 31, 2014	3,900	\$390,000	\$ 1,153,186	\$ (1,452,142)	\$ 91,044
Net (loss)				(49,454)	(49,454)
Balance, December 31, 2015	3,900	390,000	1,153,186	(1,501,596)	41,590
Net income				29,056	29,056
Balance, December 31, 2016	3,900	390,000	1,153,186	(1,472,540)	70,646
Distributions				(208)	(208)
Issuance of Common Stock	10		697		697
Net income	-			24,690	24,690
Balance, December 31, 2017	3,910	\$390,000	\$ 1,153,883	\$ (1,448,058)	\$ 95,825

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

The accompanying notes are an integral part of these financial statements

DURACLEAN INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015

	2017	2016	2015
OPERATING ACTIVITIES			
Net income (loss)	\$ 24,690	\$ 29,056	\$ (49,454)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation	29,463	41,437	44,909
(Gain) on sale of fixed assets		(26,410)	-
Changes in:			
Accounts receivable	(152,723)	(30,987)	40,869
Inventory	3,380	1,829	213
Prepaid expenses	(2,797)	5,963	(14,088)
Accounts payable	170,488	54,689	(66,928)
Accrued expenses	12,600	(18,015)	(3,840)
Accrued income or state replacement tax(es)			-
Rent abatement liability	(6,188)	(2,818)	131
Net cash provided (used) by operating activities	78,913	54,744	(48,188)
INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		27,000	-
Purchase of fixed assets	(13,762)		(10,326)
Net cash (used) provided by investing activities	(13,762)	27,000	(10,326)
FINANCING ACTIVITIES			
Proceeds from (repayment of) bank loan payable, net	5,000	(2,500)	(5,000)
Proceeds from long-term debt		-	146,000
Repayment of long-term debt	(48,177)	(91,951)	(71,189)
Repayment of capital lease obligation	(629)	(3,395)	(3,067)
Issuance of common stock	697		
Distributions to stockholders	(208)		
Net cash (used) provided by financing activities	(43,317)	(97,846)	66,744
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,834	(16,102)	8,230
BEGINNING CASH AND CASH EQUIVALENTS	5,522	21,624	13,394
ENDING CASH AND CASH EQUIVALENTS	\$ 27,356	\$ 5,522	\$ 21,624
SUPPLEMENTAL INFORMATION TO CASH FLOWS			
Gash paid during the year for:			
Income taxes			
Interest	27,247	19,273	28,617

The accompanying notes are an integral part of these financial statements

DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A — NATURE OF OPERATIONS

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

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

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

REVENUE RECOGNITION

Revenues are recognized on an accrual basis. Royalty revenues are recognized based upon revenues reported by the franchisees. Generally, franchisees report and remit royalties on a bi-monthly basis. The majority of receipts are recorded on an accrual basis from actual numbers from reports received from franchisees shortly after period end. Estimates are utilized in certain instances when actual numbers have not been received.

The Company recognizes initial franchise fee revenue at the opening of the franchisee's operations. Sale of product revenue is recognized upon the shipment of merchandise. Allowances for sales returns, rebates and discounts are recorded in the period the goods are sold.

CASH AND CASH EQUIVALENTS

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

CONCENTRATION OF CREDIT RISK

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

DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS RECEIVABLE

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

INVENTORY

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

Inventory consists of the following:

		2017		2016		2015
Equipment	\$	8,189	\$	8,492	\$	10,640
Replacement parts		11,036		13,354		15,364
Supplies		56,180		56,939		54,610
	\$	75,405	\$	78,785	\$	80,614

FIXED ASSETS

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

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

	Lives in Years	2017		2016		2015
Leasehold improvements	39	\$ 6,859	\$	6,859	\$	6,859
Equipment and furniture	5-7	237,463		223,690		223,690
Vehicles	5	70,458		70,458		105,835
		\$ 314,770	\$	301,007	\$	336,384

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

DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CARRYING VALUE OF LONG LIVED ASSETS

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

GOODWILL

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

The fair value of the reporting unit is estimated on the present value of expected future cash flows. Management has determined that goodwill of \$42,775 was not impaired for the year ended December 31, 2017. No triggering event occurred during the year ended December 31, 2017 that required goodwill impairment testing and, accordingly, no impairment loss was recorded in 2017.

For tax purposes, goodwill continues to be amortized over 15 years resulting in a \$2,852 deduction on the 2017 tax return.

INCOME TAXES

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

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

ADVERTISING

The Company expenses advertising costs as incurred. Total advertising expense for December 31, 2017, 2016, and 2015 was \$30,417, \$31,615, and \$45,653, respectively.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 26, 2018, the date which the financial statements were available to be issued.

DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL TATEMENTS

NOTE C — BANK LOAN PAYABLE

Bank loan payable represents the balance due on an open line of credit with Bank of America due August 30, 2018. Interest is payable at the bank's prime rate plus 1.75%. The Company has an additional \$40,000 available on the line of credit at the balance sheet date. The loan is collateralized by Substantially all assets of the Company. The loan is personally guaranteed by the stockholders. All principal and interest payments are made by the Company. As of December 31, 2017, 2016, and 2015, the Company had balances due of \$10,000, \$5,000, and \$7,500, respectively.

NOTE D — LONG-TERM DEBT

Long-term debt consists of the following:

	<u>Total Debt</u>	<u>Current Portion</u>
An installment loan payable \$957 per month, principal and interest at 8.03%, maturing May 2020. The loan is collateralized by transportation equipment.	\$ 25,150	\$ 9,820
An installment loan payable \$140 per month, principal and interest at 8.31%, maturing October 2020. The loan is collateralized by the equipment for which the loan is for.	4,216	1,377
An installment loan payable \$2,760 per month, principal and interest at 5%, maturing August 2020. The loan is collateralized by substantially all of the Company's assets and personally guaranteed by the Company's stockholders	<u>79,320</u>	<u>26,872</u>
	108,686	<u>\$ 38,069</u>
Less current portion	<u>(38,069)</u>	
Long-term portion	<u>\$ 70,617</u>	

The total debt maturing in years subsequent to December 31, 2017 is as follows:

Year-ending December 31, 2017

2018	\$ 38,069
2019	43,344
2020	27,273
	<u>\$ 108,686</u>

**DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE E — FRANCHISE FEE REVENUES

Gross revenues include franchise royalty fee revenues of \$727,477, \$695,682 and \$767,524 for the years ended December 31, 2017, 2016 and 2015, respectively. Initial franchise fees totaled \$26,500, \$71,300 and \$52,142 for the years ended December 31, 2017, 2016 and 2015, respectively and include existing franchises who have transferred ownership.

Gross revenues include equipment and product sales revenue of \$132,585, \$225,445 and \$124,980 for the years ended December 31, 2017, 2016 and 2015, respectively. Sales related to a franchisor owned operation totaled \$504,372, \$353,883 and \$435,216 for the years ended December 31, 2017, 2016 and 2015, respectively.

NOTE F — RETIREMENT PLAN

The Company maintains a qualified retirement plan that allows for voluntary employee contributions from 2% to 15% of compensation. The Company's discretionary matching contribution is a maximum of 2% of an employee's compensation. Company match contributions of \$622, \$8,956 and \$8,872 were made for the years ended December 31, 2017, 2016 and 2015, respectively. For the year ended December 31, 2017, the Company also received a refund of \$1,577 for prior years' excessive contributions.

NOTE G — LEASE COMMITMENTS

The Company has entered into a lease commitment on the building used as its headquarters. The terms of the lease provide for an annual rent of \$73,740, payable monthly, increasing periodically to \$88,896 through July 2019. Rent expense, including common area maintenance fees, was \$83,219.24, \$85,573 and \$85,526 for the years ended December 31, 2017, 2016 and 2015, respectively. The expiration date is July 31, 2019.

In accordance with generally accepted accounting principles, the Company recognizes rents on the building on a straight line basis over the life of the lease. The Company may also be responsible for operating expenses and real estate taxes, which exceed the base year defined in the lease. The expiration dates of the leases range from April 1, 2017 to July 31, 2019.

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

Year-ending December 31, 2017

2018	\$ 84,688
2019	<u>51,016</u>
	<u>\$ 135,704</u>

DURACLEAN INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H — RECENT ACCOUNTING PRONOUNCEMENTS

REVENUE RECOGNITION

ASU 2014-09, Revenue from Contracts with Customers (Topic 606) becomes effective on January 1, 2019, for calendar year non-public entities. The new guidance will replace almost all of the preexisting revenue recognition guidance. The core principle in the guidance is to "recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services."

There are five key steps:

- 1) Identify the contract with the customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations
- 5) Recognize revenue when (or as) each performance obligation is satisfied

The Company is currently evaluating the impact this standard will have on the financial statements when adopted.

LEASES

ASU 2016-02, Leases (Topic 842) becomes effective on January 1, 2020, for calendar-year non-public entities, but early adoption is permitted at any time. The standard requires leases to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. Generally, all leases will be captured on the balance sheet for lessees at transition, as there is no grandfathering of existing operating leases. The Company is currently evaluating the impact this standard will have on the financial statements when adopted.

State Administrators

CALIFORNIA

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

HAWAII

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

ILLINOIS

Attorney General State of Illinois
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INDIANA

Agent
201 State House
200 West Washington Street
Indianapolis IN 46204

Administrator

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

MARYLAND

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

MICHIGAN

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

MINNESOTA

Commissioner of Securities
Commissioner of Commerce
133 East 7th Street
St. Paul MN 55101

NEW YORK

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

NORTH DAKOTA

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

OREGON

Oregon Corporation Division
Commerce Building
Salem OR 97310

RHODE ISLAND

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

SOUTH DAKOTA

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

VIRGINIA

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

WASHINGTON

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

WISCONSIN

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

Agents For Service of Process

CALIFORNIA

California Department of Business Oversight
1515 K Street, Suite 200
Sacramento CA 95814-4052

HAWAII

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

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200 West Washington Street
Indianapolis IN 46204

Administrator

Indiana Securities Division
302 West Washington Street
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Securities Commissioner, Division of Securities
200 St. Paul Place
Baltimore MD 21202-2020

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Protection
Atten: Franchise Division
670 Law Building
Lansing MI 48913

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Commissioner of Securities
Commissioner of Commerce
133 East 7th Street
St. Paul MN 55101

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

NORTH DAKOTA

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

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Pierre, SD 57501

VIRGINIA

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

WASHINGTON

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

WISCONSIN

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

ADDENDUM

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

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.

California Corporations Code Section 31119 requires that the offering circular together with all proposed agreements relating to the sale of the franchise be delivered to prospective franchisees at least 14 days prior to execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first.

California Corporations Code Section 31155 requires that all applicants for registration, except for California Corporations, California limited partnerships, or California limited liability companies, file an irrevocable consent appointing the Commissioner to be the applicant's attorney to receive service of any lawful process in any non-criminal suit, action, or proceeding against the applicant which arises under the Franchise Investment Law.

In recognition of the requirements of the State of California Department of Corporations and the rules and regulations promulgated there under, the Uniform Franchise Disclosure Document of Duraclean International, Inc. shall be modified as follows:

- 1) The following shall be added to the end of Item 17;
 - a) California Business and Professional Code Sections 20000 through 20043 provide rights to the franchise concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
 - b) 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.
 - c) The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
 - d) Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
 - e) The franchise agreement requires application of the laws of Illinois. This provision may not be enforceable under California law.

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

Franchisee

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

date

Franchisor

by _____

title

date

LIST OF FRANCHISES
YEAR ENDING 12/31/2017

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

DURACLEAN BENNETT
43300 Business Park Drive #A106
TEMECULA CA 92590
951-693-2900

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

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

DANIEL MENGOD
3101 BERKSHIRE WAY
SACRAMENTO CA 95864-2701
916-485-2361

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

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

KEVIN M. DINEEN
104 PINE TREE ROAD
REDDING CT 06896-3002
203-938-0627

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

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

GERBER BONILLA
71 VIRGIL STREET APT 8-2
STAMFORD CT 06902-4717
203-967-3222

HORACE K. JACKSON SR.
RT 6 BOX 59 LONG NECK
MILLSBORO DE 19966-9806
302-945-1506

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

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

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

DON BOTTO
6624 BUDDY LANE
PORT RICHEY FL 34668-3807
727-849-1044

DURACLEAN SERVICE CO
920 3RD AVENUE NORTH
LAKE WORTH FL 33460
561-586-9100

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

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

DANIEL AMSTUTZ
1257 N. RABECK AVENUE
LECANTO, FL 34461
352-726-1099

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

BILL ZAZULA
5113 BUTTE STREED
LEHIGH ACHRES, FL 33971
239-284-0227

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

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

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

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

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

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

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

JOHN KERR
P.O. BOX 31132
SEA ISLAND GA 31561-1132
912-638-1443

RUSSELL O. DYE
P O BOX 893339
MILILANI HI 96789-3339
808-625-9111

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

ROBERT N. GUTGSELL
5655 N. NORTHCOTT
CHICAGO IL 60631-3103
773-775-9881

DURACLEAN RESTORATION 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	DWIGHT LONIE 512 WEST TAFT DRIVE SOUTH HOLLAND IL 60473 708-798-2072	RICK L. ALGER 1640 BLOOMINGTON RD MT VERNON IA 52314-9620 319-365-7269
DANIEL J. BROWN 6396 BLYTH ROAD CALEDONIA IL 61011-9644 815-885-9091	DURACLEAN QUALITY CLNG 220 CAMPUS DR ARLINGTON HEIGHTS IL 60004 800-862-5326	DOUGLAS R. HANNA 1003 SOUTH WASHINGTON LAKE MILLS IA 50450-1855 515-592-5772
DURACLEAN SPRINGER 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	STEVE BERNIS 24351 W GRASS LAKE ROAD ANTIOCH IL 60002 847-395-2122	RENEE RIDINGER 1968 HIGHWAY 218 MT PLEASANT IA 52641-2419 319-986-6613
DURACLEAN ECKSTEIN 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	CHARLES N. RUSSELL 2236 OAK AVENUE NORTHBROOK IL 60062-5218 847-291-0230	PHILIP PRICHARD 2435 HICKORY GROVE ROAD DAVENPORT IA 52804-2459 319-323-6318
DURACLEAN TOMASELLO 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	DURACLEAN GORST 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	JOHN R. HALL 520 FLOYDS FORK DRIVE SHEPHERDSVILLE KY 40165 502-957-3308
CHARLES BLANK 1255 DEERE PARK LANE DEERFIELD IL 60015-3004 847-945-6565	SCOTT A. CHIREMPES 1505 N. APPLEWOOD LANE SPRING GROVE IL 60081 815-675-0017	DURACLEAN JACKSON P.O. BOX 151 HAMMOND LA 70404-0151 985-345-8636
DURACLEAN THOMAS 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	DURACLEAN RICHARDSON 808 WEST MAUMEE ANGOLA IN 46703-1324 260-665-3055	D'ANN GUIDRY 2459 ROYAL STREET NEW ORLEANS LA 70117-7845 504-945-2188
DURACLEAN / SHEDD 220 CAMPUS DRIVE ARLINGTON HEIGHTS IL 60004 800-862-5326	GENO GEORGE 10803 PORTER STREET CROWN POINT IN 46307 219-662-6358	RAYMOND F. MARTINEZ 2249 HWY #1 RACELAND LA 70394-3642 985-447-4968
HUBERT J. MONTESI 301 WEST DANIELS ROAD PALATINE, IL 60067 847-657-8484	TIM SHOUP 808 WEST MAUMEE ANGOLA IN 46703-1324 260-665-3055	THOMAS P. DUBE 20 NEW ROAD SCARBOROUGH ME 04074-9561 207-775-5490
DURACLEAN RES & COM CLNG 220 CAMPUS DRIVE ARLINGTON HEIGHTS, IL 60004 800-862-5326	DONALD R. FOSTER 5415 WEST 750 NORTH McCORDSVILLE IN 46055-9706 317-335-2253	RICHARD CRISS 1417 GUNSTON RD. BEL AIR MD 21015-1309 410-838-7330
JOSEPH BARTZ 865 E. JACKSON ST. #7 BELVIDERE IL 61008-3201 815-544-9244	GRAVIS ALGER 1308 LOCUST STREET WEST DES MOINES, IA 50265 515-650-1620	DURACLEAN RAJABI 24058 BUDDS CREEK ROAD CLEAMENTS MD 20624 301-259-2026

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

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

DALE N. JOHNSON
191 MT PLEASANT AVE
ROCKAWAY NJ 07866-2817
973-627-3492

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

CLAUDE LEMMER
1510 E. PRESTON STREET
MT PLEASANT MI 48858-3536
989-773-4129

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

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

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

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

MARK E. LEONE
41 TRAVELER LANE
MARSHFIELD MA 02050-4176
781-837-3899

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

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

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

ELVIN L. BARTON
16405 EAST 40TH STREET
INDEPENDENCE MO 64055-4020
816-373-2603

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

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

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

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

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

LARS WILLENBERGER
1237 CRAIG ROAD
ST LOUIS MO 63146-5237
314-426-7786

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

JOHN J. HOSKIN, JR.
31505 GRAND RIVER
FARMINGTON MI 48336-4266
248-471-4646

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

JOSEPH MacDONNELL
1034 BOWLING GREEN DRIVE
WESTBURY NY 11590-5504
516-334-8566

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

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

MIKE RUSSELL
144 LONG LEAF DRIVE
WILMINGTON NC 28401-2633
910-763-7249

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

KENNETH R. KASSNER
348 RIVER ROAD
HACKETTSTOWN NJ 07840-5330
973-366-4330

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

R. JESUS McNAIR
8627 PENROD
DETROIT MI 48228-3134
313-582-3339

JOHN R. WILLIAMS
10 EDGEWOOD DRIVE
SOMERS POINT NJ 08244-1614
609-927-2552

CARL LAMBERT
118 LINDEN AVENUE
CAMBRIDGE OH 43725-2171
740-432-2762

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

MISTY MANER
1857 ROBIN ROAD
NORTH AUGUSTA SC 29841-3204
803-279-8842

JOHNNY LAMBERT
408 TIFFANY DRIVE
BRIDGEWATER VA 22812-9205
540-828-0125

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

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

MICHAEL SHIFFLETT
3445 SEMINOLE TRAIL STE 123
CHARLOTTESVILLE VA 22911
434-296-8510

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

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

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

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

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

LARRY R. FRITTS
309 W. WASHINGTON ST
CHARLES TOWN WV 25414-1546
304-725-973

RICHARD GAVLICK
67 HEMLOCK STREET
SWOYERSVILLE. PA 18704-3020
570-288-1592

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

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PLOVER WI S4467
715-341-4797

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

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

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

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

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

MARCO HILDAGO
5727 NW 7TH ST # 296
MIAMI, FL 33126
305-902-4000

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

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

DOUGLAS HAKKINEN
99 STRYKER ROAD
FLORIDA, MA 01247
414-663-9782

SCOTT ZELL
12 MARKEL ROAD
MALVERN PA 19355
610-296-2730

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

THOMAS MAC FAUN
252 CEDARWOOD DRIVE
SEVIERVILLE, TN 37876
865-221-1322

JAMES A SCHLUPP
PO BOX 92
SPINNERSTOWN PA 18968-0092
215-679-3550

CHRIS RAD
12342 B FM620
AUSTIN TX 78750-1168
512-442-5326

SHELIA COCKBURN
601 W. 26TH ST. #325-277
NEW YORK, NY 10001
212-461-3688

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

LAWRENCE J. ROSNIAK
ROUTE #1 BOX 93R
EAST BERNARD TX 77435-9624
409-335-4375

BOSKI SERVICE LLC
4787 GATEWAY DR.
MEDINA, OH 44256
330-630-0062

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

List of Former Duraclean Franchises
Year Ending 12/31/2015

CLAUDE EDWARDS
1025 ORCA STREET
ANCHORAGE AK 99501-4017
907-272-1955

DAVID LEE TAYLOR
14478 LITTLE HILL LANE
GRASS VALLEY CA 95945
530-273-9379

MARK JENSEN
3690 WHISPERING TRAILS DR
HOFFMAN ESTATES IL 60195
847-776-8855

GAETAN D. MARCHESSAULT
67 CREEK ROAD, SUITE 1
COLCHESTER. VT 05446
802-288-9496

Franchisee Organizations We Have Created, Sponsored or Endorsed

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

Independent Franchisee Associations

Duraclean is not aware of any independent Franchisee associations.

State Effective Dates

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

California	Effective Date: _____
Florida	Effective Date: _____
Hawaii	Effective Date: _____
Illinois	Effective Date: _____
Indiana	Effective Date: _____
Maryland	Effective Date: _____
Michigan	Effective Date: _____
Minnesota	Effective Date: _____
New York	Effective Date: _____
North Dakota	Effective Date: _____
Oregon	Effective Date: _____
Rhode Island	Effective Date: _____
South Dakota	Effective Date: _____
Virginia	Effective Date: _____
Washington	Effective Date: _____
Wisconsin	Effective Date: _____

Guarantee

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

Exhibit K1

Initial Order

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

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

The initial Fabric Cleaning franchise fee, \$29,995, includes the Franchise License, training manuals, Success Institute, van decals allowance, printing allowance, equipment, solutions, supplies, one year of website hosting & optimization and one year of Duraclean's business software.

The initial Cleaning and Restoration franchise fee, \$59,900, includes the Franchise License, training manuals, Success Institute, van decals allowance, printing allowance, equipment, solutions, supplies, one year of website hosting & optimization and one year of Duraclean's business software.

Depending on the franchise you choose the following items are included with your initial franchise fee.

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

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

The cost of the equipment, solutions and supplies detailed are included with your new franchise purchase.

Item #	Description	Quantity	
		Fabric Specialist	Cleaning and Restoration
8162	Water Damage Restoration Technician's Meter Kit	0	1
8771	HydroSensor II	0	1
8958	Evolution LGR Dehumidifier	0	1
8306	Sahara Pro X3 Air Mover	0	2
8159	Velo Pro Air Mover	0	2

Item #	Description	Quantity	
		Fabric Specialist	Cleaning and Restoration
7277	Sapphire Rage Truck Mounted Cleaning System with pump clutch for Water Damage Restoration installed in your van.	0	1
	Fuel installation kit –	0	1
7279	Rage submount fresh water tank	0	1
7280	High Pressure solution hose reel	0	1
7281	Hose Reel vac hose only	0	1
8981	Sapphire Upholstery Pro cleaning tool	1	1
9229	Stainless Steel Stair Tool - short style with Foam Nozzle.	1	1
7307	Prochem Ninja 500 With Heater	1	0
7308&7309	hose set 1-1/2"x25'+1/4"x25'	1	0
8575	Stainless Steel Wand w/ Foam Noz	1	1
7456	Duct Cleaning Package w/o vac or sprayer	0	1
2448	Gekko Wand No Head	0	1
2447	Gekko SX-15 Tool	0	1
2452	Gekko SX7 Head Only	0	1
2451	4" Gekko Edge, Corner, Coving Head	0	1
2441	Chiseled Grout Brush with Handle	0	1
2419	Hydro Stick Grout Seal Applicator	0	1
2446-4	Viper Venom Powder with Citrus - 6 lbs	0	4
2432-4	Viper Renew	0	4
2418-4	Viper Premium Grout & Stone Sealer	0	4
3196	Van Graphics Allowance Certificate - Save Up To \$1500 On Van Graphics When You Have Your Van Wrapped By Fastsigns®.	1	1
3199	Uniform Allowance Certificate. Receive a \$200.00 allowance on your first uniform or Image Wear order.	1	1

Item #	Description	Quantity	
		Fabric Specialist	Cleaning and Restoration
3220	Duraclean web based software... manage your business for success! Single user annual subscription.	1	1
3192	Printing Allowance Certificate. Receive a \$250.00 allowance on your first printing order for Business Cards, Envelopes & Letterhead	1	1
3131	Carpet & upholstery sell sheets	50	50
3137	Water damage sell sheets	0	100
3124	Pocket folders	50	50
	Home Show Banner	1	1
	Home Show handouts	100	100
	Home Show registration cards	100	100
3231	Business Website Set Up	1	1
3232	Business Website Hosting / 12 months service	1	1
3233	Business Website Search Engine Optimization / 12 months service.	1	1
1270-12pt	Universal Spotting Agent, case of 12, 16 oz bottles. An all-purpose spot remover for carpet & upholstery with your Tradestyle and phone number on the label.	4	4
1392	Fiberlock Shockwave, EPA Registered anti-microbial. Use on porous & non-porous surfaces in schools, hotels, hospitals, homes, commercial & industrial facilities. Kills 80+ organisms. Concentrated 2 OZ per gallon. 1 gallon.	0	2
1102-4	Soil Releaser I – 4 Gallon Case	.5	.5
1104-4	Soil Releaser II – 4 Gallon Case	.5	.5
1108-4	Sensi-Clean – 4 Gallon Case	.5	.5
1269-4	Fiber-One – 4 Gallon Case	.5	.5
1135-4	Durashield Plus – 4 Gallon Case	.5	.5
1263-12pt	DCS Spotter – 12 Pint Case	.5	.5
1235-12pt	Nutrilize – 12 Pint Case	.5	.5

Item #	Description	Quantity	
		Fabric Specialist	Cleaning and Restoration
1240-12pt	Rust Remover – 12 Pint Case	1	1
1267-4	Bioenzyme Deodorant – 4 Gallon Case	.5	.5
2135	Foam Block Leg Protectors – Box of 1008	1	1
3323	Foil Leg Protectors - Box of 1,000	1	1
2141	Professional Carpet Conditioning Tool, 18" head with handle.	1	1
2143	Handi-Groom Carpet Condition Tool, 6" Hand Tool.	1	1
2288	Utility scrub brush White nylon bristles are held in a molded, chemical-resistant block	1	1
2107	Nylon Tamping/Spotting Brush, White	1	1
8930	HydroForce Pro Sprayer	0	1
2272	Multipurpose 48 ounce Sprayer, Polyethylene Adjustable Nozzle	1	1
2273	Solvent Rated 48 OZ Sprayer with Brass Adjustable Nozzle and Viton Seals. Use for Cleaner, Degreaser and other Solvent Based Products.	1	1
2115	Corner Guard. Prevent costly claims from damaging paint or wall coverings. Lightweight and unbreakable.	4	4



Duraclean® FEES and SERVICES

ORIGINATION FEE FOR FIRST Duraclean FRANCHISE

US & Canada	\$19,500
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The total price for a Duraclean franchise is the above one-time "Training and Territory Rights" investment payment plus the price of equipment, accessories and supplies in the initial package.

ORIGINATION FEE FOR ANOTHER FRANCHISE (Same Owner)

US & Canada	\$13,250
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This Trademark and Territory Rights investment applies to an additional, separate franchise operated by the same owner from a different address.

MARKET SIZE EXPANSION

US & Canada	\$13,250
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Market area expansion of an existing franchise into an adjacent Primary Market Area but still operated from the same address.

SALE OF SERVICE FRANCHISE

US & Canada	\$13,250
-------------	----------

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

FRANCHISE RENEWAL

no charge

INTERNATIONAL FEES

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

ADMINISTRATIVE SERVICES

Adding a partner	(use form 3337)	\$ 250.00*
	*requires Success Institute attendance	
Dropping a partner	(use form 3338)	\$ 150.00
Computer Support (special issues)		
telephone	per 1/4 hour	\$ 25.00
on location	minimum 8 hours	\$ 800.00 plus expenses
	additional 1/4 hours	\$ 20.00
Returned Checks, each		
1 st occasion		\$ 25.00
2 nd occasion		\$ 40.00
3 rd occasion		\$ 60.00
Minimum Supply Order		\$ 25.00
Restocking Charge	% of order	15%
	minimum	\$ 10.00
Service Charges		
on unpaid balances	monthly	1.5%
late note payments	each	\$ 7.50

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Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Duraclean International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. Only Duraclean International, Inc. is authorized to offer the sale of franchises in the United States.

If Duraclean International, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit C.

Vince Caffarello, Wilbur Gage, Danielle Canup, Michael Higgins, Randall Roe, Chip Huggins and Courtney Johnson are employees of Duraclean and registered as sales agents for Duraclean. The address is 220 Campus Dr., Arlington Heights, IL60004 and the telephone number is 800-251-7070.

Date of Issuance: March 28, 2018

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

Duraclean authorizes the California Commissioner of Corporation 1515 K Street, Suite 200, Sacramento CA 95814-4052 to receive service of process for Duraclean.

I have received a disclosure document dated March 28, 2018 that included the following Exhibits:

- | | |
|---|---|
| <ul style="list-style-type: none"> A Franchise Agreement & Related Materials State Addenda to Franchise Agreement Exhibits to Franchise Agreement; Exhibit 1 – Franchised Territory Exhibit 2 – Confidentiality/Non-Competition Exhibit 3 – Guarantee B Financial Statements C State Administrators D Agents for Service of Process E State Addenda to Franchise Disclosure | <ul style="list-style-type: none"> F List of Franchisees G List of Former Franchisees H1 Franchisee Organizations We have Created, Sponsored or Endorsed H2 Independent Franchisee Associations I State Effective Dates J Guarantee K1 Initial Order K2 Duraclean Fees and Services Form K3 Table of Contents - Manuals L Receipt |
|---|---|

PROSPECTIVE FRANCHISEE

Date Received: _____

If a business entity:

If an individual:

Name of Business Entity

Print Name

Signature of Authorized Partner, Member or Officer

Signature

Title

Print Name

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

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