**FRANCHISE DISCLOSURE DOCUMENT**

The Cleaning Authority Franchising SPE LLC
A Delaware Limited Liability Company
7120 Samuel Morse Drive
Suite 300
Columbia, Maryland 21046
(410) 740-1900
www.thecleaningauthority.com

THE CLEANING AUTHORITY franchise is a cleaning service business for residential homes similar to a maid service ("**Core Services**"), but may also include carpet cleaning, window cleaning, furniture cleaning, the cleaning of light commercial properties and businesses, and any other type of cleaning service to any customer ("**Non-Core Services**").

The total initial investment necessary to begin operation of a THE CLEANING AUTHORITY Franchised Business for an Enterprise Market is $103,874 to $175,246. This includes approximately $55,874 to $91,496 that must be paid to the franchisor. The total initial investment necessary to begin operation of a THE CLEANING AUTHORITY Franchised Business for a Hometown Market is $79,060 to $127,621. This includes approximately $33,060 to $50,871 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact your personal Franchise Development Manager at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 and (410) 740-1900.

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 on franchising.

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

Issuance date: April 28, 2023

## How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits F and G. |
| **How much will I need to invest?** | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| **Does the franchisor have the financial ability to provide support to my business?** | Item 21 or Exhibit I includes financial statements. Review these statements carefully. |
| **Is the franchise system stable, growing, or shrinking?** | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| **Will my business be the only THE CLEANING AUTHORITY business in my area?** | Item 12 and the "territory" provisions in the Franchise Agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a troubled legal history?** | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| **What's it like to be a THE CLEANING AUTHORITY franchisee?** | Item 20 or Exhibits F and G list current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees**. You may have to pay royalties and other fees even if you are losing money.

**Business model can change**. The Franchise Agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions**. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions**. The Franchise Agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor**. Even if the Franchise Agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal**. Your Franchise Agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your Franchised Business.

**When your franchise ends.** The Franchise Agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

## Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit J.

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The Franchise Agreement requires you to resolve disputes with us by arbitration and litigation only in the judicial district in which we have our principal place of business at the time the action is commenced, which is currently Columbia, Maryland. Out-of-state arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate with us or sue us in Maryland than in your own state.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" pages for your state in Exhibit K.

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**EXHIBITS**


A. Franchise Agreement (including Data Sheet, Brand Appendix, Local Marketing Services Agreement, TCA IQ User Agreement, Confidentiality and Non-Compete Agreement, Telephone Number and Internet Agreement, and EFT Agreement)
B. Promissory Note, Guaranty and Security Agreement
C. Renewal Addendum
D. Sample of General Release
E. Questionnaire
F. Franchisees as of December 31, 2022
G. Franchisees Who Exited a Franchise in 2022
H. Operations Manual Table of Contents
I. Financial Statements
J. List of State Administrators and Agents for Service of Process
K. State Addenda/State Franchise Agreement Amendments

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

This disclosure document describes THE CLEANING AUTHORITY Franchised Businesses. In this disclosure document:

"**TCA-SPE**", "**Franchisor,**" "**we**", "**us**" and "**our**" mean The Cleaning Authority Franchising SPE LLC, the franchisor.

"**You**," "**your**," or "**Franchisee**" refers to the individual or company that enters into a Franchise Agreement with us for a Franchised Business (a "**Franchise Agreement**").

"**Owners**" means the person(s) identified in the Franchise Agreement as owners of the Franchisee and all other persons whom we may subsequently approve to acquire an interest in the franchise.

### The Franchisor

We are a Delaware limited liability company organized on March 24, 2021. Our principal business address is 7120 Samuel Morse Drive, Suite 300, Columbia, MD 21046. We do business under our company name and THE CLEANING AUTHORITY name. To the extent we have appointed agents for service of process in other states, they are listed in Exhibit J.

### Our Parent, Predecessors, and Affiliates

Our direct parent company is AB Assetco LLC ("**AB Assetco**"), a Delaware limited liability company. AB Issuer LLC ("**AB Issuer**"), a Delaware limited liability company, is the direct parent company of AB Assetco. AB SPE Guarantor LLC ("**AB Guarantor**"), a Delaware limited liability company, is the direct parent company of AB Issuer. We, AB Assetco, AB Issuer, and AB Guarantor were organized as part of the Securitization Transaction, which is described below. Authority Brands, Inc. ("**AB Inc.**"), a Delaware corporation, is the direct parent company of AB Guarantor and our indirect parent. AB, Inc. was known as "Villa BidCo, Inc." until changing its name to Authority Brands, Inc. effective May 17, 2021. AB Assetco, AB Issuer, AB Guarantor and AB Inc. all share our principal business address. Our ultimate majority owner is a Fund advised by Apax Partners, LLP, a private equity firm based in London, United Kingdom ("**Apax**").

We became the franchisor of THE CLEANING AUTHORITY system on May 14, 2021 as part of the Securitization Transaction (defined below). We began offering THE CLEANING AUTHORITY franchises on May 17, 2021.

Our predecessors began offering THE CLEANING AUTHORITY franchises in 1996. Our most recent predecessor, The Cleaning Authority, LLC ("**TCA**"), a Maryland limited liability company, offered THE CLEANING AUTHORITY franchises from September 2010 to May 14, 2021. TCA's principal business address is the same as ours. We do not have any other predecessors as franchisor of THE CLEANING AUTHORITY brand within the last ten years.

### Securitization Transaction

Under a secured financing transaction which closed on May 14, 2021 (the "**Securitization Transaction**"), Villa BidCo, Inc. and its affiliates were restructured. As part of the Securitization Transaction, all existing U.S. franchise agreements and related agreements for THE CLEANING AUTHORITY Franchised Businesses were transferred to us, and we became the franchisor of all existing franchise

agreements and related agreements. Ownership and control of all U.S. trademarks and certain intellectual property relating to the operation of THE CLEANING AUTHORITY Franchised Businesses were also transferred to us.

At the time of the closing of the Securitization Transaction, we entered into a management agreement with Villa BidCo, Inc. (now AB Inc.) to obtain the required support and services to THE CLEANING AUTHORITY franchisees under their franchise and related agreements. AB Inc. also acts as our franchise sales agent. We pay management fees to AB Inc. for these services. However, as the franchisor, we will be responsible and accountable to you to make sure that all support and services we are obligated to perform under your Franchise Agreement or other agreement you sign with us are performed in compliance with all applicable agreements.

We do not operate any THE CLEANING AUTHORITY Franchised Businesses. However, we have affiliates that operate businesses of the type offered in this disclosure document. We refer to THE CLEANING AUTHORITY Franchised Businesses operated by our affiliates as "**Company-Owned Outlets**" for purposes of this disclosure document.

Neither we nor our predecessor has offered franchises in any other line of business. However, as summarized in the table below, we have affiliates that offer franchises in other lines of business. Most of these affiliates were formed either as part of the Securitization Transaction or when our parent added a newly-acquired brand to the securitization pool, and each has a predecessor that offered franchises of the same brand before the Securitization Transaction closed or the newly-acquired brand was added. Except as otherwise noted, all affiliates listed below have the same address as us:

| Affiliate | Franchise Offered | Month and Year Affiliate or its Predecessor Began Offering Franchises | Number of Franchises as of December 31, 2022 |
|---|---|---|---|
| ASP Franchising SPE LLC<br>Delaware limited liability company | ASP – AMERICA'S SWIMMING POOL COMPANY<br>Swimming pool cleaning, swimming pool maintenance, swimming pool renovation services, and related services and products | January 2006 | 128 |
| Benjamin Franklin Franchising SPE LLC<br>Delaware limited liability company | BENJAMIN FRANKLIN PLUMBING<br>Plumbing repair and services | September 2001 | 276 |

| Affiliate | Franchise Offered | Month and Year Affiliate or its Predecessor Began Offering Franchises | Number of Franchises as of December 31, 2022 |
|---|---|---|---|
| Color World New Franchise Systems, LLC<br>Delaware limited liability company | COLOR WORLD PAINTING<br>Residential and commercial painting; deck painting, staining, or repair; fence painting or staining; power washing; minor carpentry, cleaning or repair services; drywall repair; gutter installation or removal; and holiday lighting services and other related services. | January 2022 | 50 |
| DoodyCalls Franchising SPE LLC<br>Delaware limited liability company | DOODYCALLS<br>Exterior pet waste removal service and odor control service | July 2016 | 73 |
| STOP Franchising SPE LLC<br>Delaware limited liability company | DRYMEDIC<br>Residential and commercial restoration services, including cleaning, deodorizing and reconstruction of buildings and contents due to fire, smoke, water, mold, normal wear, or other causes of damage, and other related services | April 2017 | 27 |
| Homewatch CareGivers Franchising SPE LLC<br>Delaware limited liability company | HOMEWATCH CAREGIVERS<br>Companionship, personal care, complex personal care and nursing services provided by home health aides, personal care providers, certified nurse assistants, licensed practical nurses and registered nurses | January 1996 | 224 |
| Homewatch CareGivers International, Inc. | HOMEWATCH CAREGIVERS | September 2017 | 9 |

| Affiliate | Franchise Offered | Month and Year Affiliate or its Predecessor Began Offering Franchises | Number of Franchises as of December 31, 2022 |
|---|---|---|---|
| Delaware corporation | Companionship, personal care, complex personal care and nursing services provided by home health aides, personal care providers, certified nurse assistants, licensed practical nurses and registered nurses | | |
| Junkluggers Franchising SPE LLC<br>Delaware limited liability company | THE JUNKLUGGERS<br>Residential and commercial junk removal services, second-hand furniture procurement and retail services, and moving services | December 2012 | 113 |
| Mister Sparky Franchising SPE LLC<br>Delaware limited liability company | MISTER SPARKY<br>Electric services | June 2006 | 139 |
| Monster Franchising SPE LLC<br>Delaware limited liability company | MONSTER TREE SERVICE<br>Residential and commercial tree services, including year-round performance of tree removal, pruning, land clearing, stump grinding, plant healthcare and other tree care services | September 2020 | 247 |
| Mosquito Squad Franchising SPE LLC<br>Delaware limited liability company | MOSQUITO SQUAD<br>Residential and commercial outdoor pest control services and equipment | January 2005 | 215 |

| Affiliate | Franchise Offered | Month and Year Affiliate or its Predecessor Began Offering Franchises | Number of Franchises as of December 31, 2022 |
|---|---|---|---|
| One Hour Air Conditioning Franchising SPE LLC<br>Delaware limited liability company | ONE HOUR HEATING & AIR CONDITIONING<br>Residential and light commercial air conditioning and heating services | April 2003 | 351 |
| Screenmobile Franchising SPE LLC<br>Delaware limited liability company | SCREENMOBILE<br>Residential and commercial window, patio, and door screen products and services | July 1984 | 148 |
| The Cleaning Authority, Inc. ("**TCA Canada**")<br>New Brunswick, Canada corporation<br>1 Germain Street, Suite 1700<br>Saint John NB E2L 4V1<br>Canada | THE CLEANING AUTHORITY<br>Residential cleaning services | August 2014 | 6 |
| Woofie's Pet Ventures, LLC<br>Virginia limited liability company | WOOFIE'S<br>Pet sitting and dog walking services as well as pet grooming services and/or other ancillary services related to pet care | November 2018 | 9 |

We also have a new affiliate that will begin franchising in 2023. The new affiliate, Weed Pro, Ltd., is in the business of weed control, lawn care, and related services but has never offered franchises previously. The affiliate will offer franchises under a name that has not been determined as of the date of this disclosure document.

We also have affiliates that offer goods and services to our franchisees. These affiliates are:

- BuyMax SPE LLC, a Delaware limited liability company ("**BuyMax**"). BuyMax negotiates agreements with manufacturers, distributors, and service providers for the benefit of franchisees of our affiliates, Company-Owned Outlets and our franchisees. BuyMax also sells products to independent BuyMax® members who are not affiliated with us and may compete with our brand.

- Successware SPE LLC, a Delaware limited liability company ("**Successware**") provides or arranges payment processing services for us and our affiliates.

A parent company, AB Assetco, guarantees our duties and obligations under the Franchise Agreements that we sign while the guarantee is in place, if we become unable to perform our duties and obligations. See Item 21.

**THE CLEANING AUTHORITY Franchise**

Our franchises specialize in cleaning the inside of residential homes similar to a maid service ("**Core Services**"), but services may also include carpet cleaning, window cleaning, furniture cleaning, the cleaning of light commercial properties and businesses, and any other type of cleaning service to any customer ("**Non-Core Services**"). You are prohibited from offering light commercial cleaning and other Non-Core Services unless you receive our consent and do so under the Marks and pay us the Royalty Fee on all revenue attributable to your provision of Non-Core Services. "Light commercial" is defined as "regular (nightly or weekly) work performed in a single tenant building under 5,000 sq. ft. or a connected office space under 1,500 sq. ft." and is considered part of the Non-Core Services.

We offer franchises only to persons and business entities that meet our qualifications and are willing to undertake the investment and effort to own and operate a THE CLEANING AUTHORITY Franchised Business. Our current form of Franchise Agreement appears in Exhibit A to this disclosure document.

The Franchise Agreement authorizes you to use the trademarks, service marks, trade names, logos, and symbols we designate (the "**Marks**") to provide services (the "**Franchised Business**"). The Franchised Business will operate according to the know-how and system of operation we have developed and continue to develop for THE CLEANING AUTHORITY brand (the "**System**"). The distinctive elements of the System include, but are not limited to: the products and services offered; our customer service standards; our warranty program, if applicable; our standards and specifications for equipment, technology, supplies, and operations; our advertising and promotional programs and marketing techniques; the exterior and interior design, décor, color scheme, fixtures, and furnishings of the business premises; and the accumulated experience reflected in our Training Program and instructional materials. We have described our mandatory and recommended standards and procedures in a confidential operations manual (the "**Operations Manual**" or also sometimes referred to as the "**Brand Standards Manual**") or in other writings designated by us as part of the standards for the System (collectively with the Operations Manual, "**System Standards**" or "**Brand Standards**"). If you become a franchisee, we will provide you with access to the Operations Manual. We have the right to change the Operations Manual and the System Standards at any time.

We have two programs that we currently offer – franchises for territories with at least 30,000 Designated Households (an "**Enterprise Market**") and franchises for territories that have 29,999 or fewer Designated Households (a "**Hometown Market**"). A "**Designated Household**" is a residence with an estimated annual gross income of at least $70,000, except in California, where the estimated annual gross income for a Designated Household is $85,000. We reserve the right to modify this definition of a "Designated Household". We determine the number of Designated Households in a territory by reference to information provided by a third-party data compilation and demographic information service provider that we select.

We may pursue opportunities to convert similar businesses operating under different trade names to a THE CLEANING AUTHORITY Franchised Business. If you are converting an existing residential cleaning business to a Franchised Business, we refer to it as a "**Conversion Franchise**."

Our franchisees operate the Franchised Business from a specific street address or site that we have approved for their business premises (the "**Approved Location**"). However, some of our franchisees have

multiple franchises in contiguous or adjoining territories. In those circumstances, we may allow the franchisee to operate their franchises from an Approved Location in only one of the franchised territories.

**Industry-Specific Regulations**

Many of our Core Services and Non-Core Services are provided using products and chemicals in accordance with various environmentally-conscious guidelines and recommendations, as published from time to time by an approved third party certification company engaged in the testing and certification of products (including housecleaning solutions, devices and related products) that meet certain scientific-based environmental standards. A list of approved third-party certification companies is included in our Operations Manual.

You may need to obtain a business license or permit to operate the Franchised Business, and will need to comply with federal, state and local laws regulating businesses generally. You should familiarize yourself with these laws.

**Market for the Services/Competition**

The market for our services is well established and very competitive. Your competitors will be local and national cleaning companies, as well as individuals who provide cleaning services on a full or part time basis.

## ITEM 2
## BUSINESS EXPERIENCE

As noted in Item 1, AB Inc. manages our franchising activities and acts as our franchise sales agent. Listed below are the officers of TCA-SPE, the officers of AB Inc., and the employees of AB Inc. who have management responsibility relating to the sale or operation of the franchises offered in this disclosure document.

**President; Executive Vice President of Authority Brands: Leanne Stapf**

Ms. Stapf has been our President and Executive Vice President of Authority Brands since April 2022. She was our Chief Operating Officer from May 2021 to April 2022. She held the same position for our predecessor, TCA, and TCA Canada from November 2018 to May 2021. From April 2017 to November 2018, she was the Vice President of Operations for TCA and TCA Canada. Since August 2017, she has owned an interest in Dirty Dozen 9, LLC, a THE CLEANING AUTHORITY franchise in Harrisburg, Pennsylvania.

**Senior Vice President: Katie Dills**

Ms. Dills has been our Senior Vice President since January 2023 and was our Vice President of Operations from May 2021 to December 2022. From December 2020 to May 2021, she was Vice President of Operations for our predecessor, TCA, and TCA Canada. From November 2018 to December 2020, she was Director of Operations for TCA and TCA Canada. From March 2017 to November 2018, she was a Project Manager for TCA and TCA Canada. From May 2009 to March 2017, she was Managing Partner of PBD LLC, a THE CLEANING AUTHORITY franchise in Mt. Airy, Maryland. Since February 2020, she has owned an interest in Dirty Dozen 9, LLC, a THE CLEANING AUTHORITY franchise in Harrisburg, Pennsylvania.

**Senior Director of Marketing of Authority Brands: Margaret Brodeck**

Ms. Brodeck has been the Senior Director of Marketing of Authority Brands since January 2023. From October 2022 to January 2023, she was the Senior Vice President of Marketing & Growth for Arosa in Richmond, Virginia. From November 2021 to October 2022, she was the Vice President of Marketing of Authority Brands. From January 2020 to November 2021, Ms. Brodeck was the Vice President of Marketing for our affiliate, The Cleaning Authority. From September 2019 to January 2020, she was the Director of Marketing of Authority Brands. From June 2018 to August 2019, she was an Associate with Harris Williams & Co. in Richmond, Virginia. From 2016 to 2018, she was a full-time MBA student at the University of Virginia in Charlottesville, Virginia.

**President and Chief Executive Officer of Authority Brands: Craig Donaldson**

Mr. Donaldson has been the President and CEO of Authority Brands since August 2022 and holds the same position for a number of our affiliates. Since September 2018, he has been a member of the Board of Directors for Authority Brands' parent company. Concurrently, from March 2019 to April 2020, he was an Executive Advisor for Money Mailer in Cypress, California. From February 2016 to April 2018, he was the Chief Executive Officer of VASA Fitness in Orem, Utah. From June 2012 to June 2015, Mr. Donaldson was CEO of Service Brands International, the franchisor of Molly Maid, Mr. Handyman, and Protect Painters. From November 1997 to September 2011, he was CEO of Harris Research Inc., the franchisor of Chem-Dry Carpet and Upholstery Care and N-Hance Wood Renewal.

**Chief Financial Officer and Treasurer: Silpa Velaga**

Ms. Velaga has been the Chief Financial Officer of Authority Brands since May 2019 and its Treasurer since April 2020. She has been our CFO and Treasurer since May 2021. She was CFO of our predecessor, TCA, from May 2019 to May 2021 and its Treasurer from April 2020 to May 2021. She has held the same position with TCA Canada since May 2019. Ms. Velaga is also the CFO and Treasurer of a number of our other affiliates and their predecessors. From September 2014 to May 2019, Ms. Velaga was a Director, Deals with PricewaterhouseCoopers in New York, New York.

**Chief Growth Officer of Authority Brands: Heather McLeod**

Ms. McLeod has been the Chief Growth Officer of Authority Brands since November 2022. From December 2018 to November 2022, she was the Chief Marketing Officer of Authority Brands. From April 2017 to December 2018, Ms. McLeod was the Vice President of Marketing for our affiliated brand, The Cleaning Authority.

**Senior Vice President of Franchise Development of Authority Brands: Jordan Wilson**

Mr. Wilson has been the Senior Vice President of Franchise Development of Authority Brands since January 2023. From January 2015 to December 2022, he was the Senior Vice President, Franchise for Scorpion Marketing, in Concord Township, Ohio.

**Vice President of Franchise Development of Authority Brands: Brad Colt Florence**

Mr. Florence has been the Vice President of Franchise Development of Authority Brands since April 2021. He held the position of Franchise Development Manager for our affiliate brands, Mosquito Squad and ASP, from June 2020 to April 2021. From July 2018 to May 2020, Mr. Florence was Vice President of

Franchise Development at Better Way Franchise in Ogden, Utah. From January 2017 to July 2018, Mr. Florence was the Regional Sales Manager at A1 Casters and Equipment in Ogden, Utah.

**Vice President of Franchise Development of Authority Brands: Joshua Minturn**

Mr. Minturn has been the Vice President of Franchise Development of Authority Brands since January 2023. From November 2018 to March 2020, he was the Vice President of Franchise Development for The Maids International, a residential cleaning franchisor, in Omaha, Nebraska, and from March 2020 to November 2022, its Chief Development Officer. Concurrently, from March 2016 to April 2020, he was the Senior Director of Franchise Development for N-Hance Wood Refinishing, a floor refinishing franchisor, in Logan, Utah.

**Vice President, General Counsel and Secretary: Brian Balconi**

Mr. Balconi has been our Vice President, General Counsel and Secretary since May 2021. He was Vice President and General Counsel of our predecessor, TCA, from June 2019 to May 2021 and its Secretary from April 2020 to May 2021. Mr. Balconi has been the Chief Legal Officer of Authority Brands since May 2019 and was its General Counsel from November 2018 to May 2019. Mr. Balconi is also the Chief Legal Officer, General Counsel, Vice President, Secretary and/or Assistant Secretary of a number of our other affiliates and their predecessors. From August 2018 to September 2018, Mr. Balconi was the General Counsel, Corporate Secretary, and a member of the board of directors of Dessange Group North America in Beverly, Massachusetts. From August 2017 to July 2018, Mr. Balconi was the President and then also the General Counsel of The Camp Franchise Systems, LLC in Chino Hills, California.

**Chief Operating Officer of Authority Brands: Rohit Chande**

Mr. Chande has been Chief Operating Officer of Authority Brands since May 2021. He was Chief Transformation Officer of Authority Brands from July 2019 to May 2021. Since March 2020, he has also served as Director and an owner of Spectra International LLC, d/b/a Homewatch CareGivers of Silver Spring, Maryland. From July 2015 to April 2019, Mr. Chande was the Senior Vice President and board member of Amano McGann, Inc. in Minneapolis, Minnesota.

**President of BuyMax: Clare Perry**

Ms. Perry has been the President of BuyMax since December 2022 and its Vice President of Sourcing from February 2020 to November 2022. From June 2019 to February 2020, she was a self-employed Procurement Consultant in Phoenix, Arizona. From January 2015 to May 2018, Ms. Perry was the Global Managed Services Director for GSH Group, LLC, a facilities management company, in Parsippany, New Jersey.

Unless otherwise provided in this Item 2, each individual's employment described above is or was based in Columbia, Maryland.

## ITEM 3
## LITIGATION

**Material Actions Involving the Franchise Relationship – Litigation by Franchisor for Breach of Contract/Failure to Indemnify:**

Tenicia Wright v. Cleaning Authority LLC, Patrone One Nine LLC, et al., Case No. 2021 CP 2700516, Court of Common Pleas Fourteenth Judicial Circuit, filed November 23, 2021. In fiscal year 2022, we filed a cross claim against the defendant franchisee, Patrone One Nine and its owners, for failure to indemnify us in this litigation.

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

## ITEM 4
## BANKRUPTCY

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

## ITEM 5
## INITIAL FEES

**Territory Fee**

The Territory Fee is variable depending on the number of Designated Household in your Territory (which will be defined by zip codes). The Territory Fee is calculated by multiplying the number of Designated Households in the Territory by $0.75. Enterprise Markets typically have 30,000 to 60,000 Designated Households in the Territory. Accordingly, the Territory Fee is between $22,500 and $45,000 for Enterprise Markets. However, if you request and we allow more than 60,000 Designated Households in the Territory, the Territory Fee will exceed $45,000.

For Hometown Markets, there will be 15,000 to 29,999 Designated Households in the Territory. Accordingly, the Territory Fee is between $11,250 and $22,499 for Hometown Markets. We may, in our discretion, allow a Territory with more than 29,999 Designated Households to qualify as a Hometown Market. If the Territory in your Hometown Market includes more than 29,999 Designated Households, the Territory Fee will exceed $22,499.

We determine the number of Designated Households in your Territory by reference to information provided by third-party data compilation and demographic service providers at the time you sign the Franchise Agreement. The number of Designated Households will be defined and the Territory Fee determined before you sign the Franchise Agreement. In certain limited circumstances, we may provide additional zip codes without charging the Territory Fee for them.

You must pay the Territory Fee in a lump sum when you sign the Franchise Agreement, unless you finance it as described in Item 10 of this disclosure document. The Territory Fee is not refundable under any circumstance.

**Franchise Fee**

In addition to the Territory Fee, you must pay us a base initial franchise fee ("**Franchise Fee**") of $20,000 for an Enterprise Market and $15,000 for a Hometown Market. You must pay the Franchise Fee in a lump sum when you sign the Franchise Agreement, unless you finance it as described in Item 10 of this disclosure document. The Franchise Fee is not refundable under any circumstance.

As described below, we have discount programs for existing franchisees, existing employees, first responders, military veterans and active personnel, and for minority, women, and individuals of the LGBTQ+ community applicants, and we may vary, negotiate, or make an exception to our standard fee structure in other circumstances. During the fiscal year 2022, we collected initial fees (Territory Fee plus Franchise Fee) ranging from $7,500 to $67,916.

Except as noted below, discounts or other incentive programs cannot be combined. Additional restrictions may apply. We may discontinue particular discounts or variations at any time without notice.

**Existing Franchisee Discount**

If you are an existing THE CLEANING AUTHORITY franchisee or a franchisee of one of our affiliates, and you (i) meet our qualifications for expansion, and (ii) are licensing an additional Territory from us (for which you are signing a separate Franchise Agreement), we will discount the total of the Franchise Fee and Territory Fee by 30%. This discount applies to the second and subsequent franchise purchased.

**Existing Employee Discount**

If you are an employee of AB Inc. and meet our qualifications to become a franchisee, we will reduce the Franchise Fee and Territory Fee by 50% per Franchised Business you agree to open. To qualify for this discount, you must (i) own at least 51% of the Franchised Business, (ii) be designated as the Key Person in the Franchise Agreement and (iii) otherwise meet our requirements to purchase a Franchised Business. In the event you do not retain 51% ownership of the Franchised Business for a minimum of three (3) years, you will be responsible for payment in the amount equal to the difference between (a) the standard Franchise Fee and Territory Fee prior to application of the Employee Discount and (b) the actual Franchise Fee and Territory Fee paid applying the Employee Discount. This discount does not apply to any transaction involving brokers or any other third-party referral sources.

**Military Discount**

We are a member of the International Franchise Association ("**IFA**") and we participate in the IFA's VetFran® Program, which provides special financial incentives to qualified veterans. Pursuant to this program, we reduce the combined Franchise Fee and Territory Fee by 30% for all honorably discharged veterans of American and Canadian armed forces ("**Veterans Discount**").

In addition to the Veterans Discount above, we will reduce the Franchise Fee and Territory Fee by 30% for all personnel active in the American and Canadian armed forces ("**Active-Duty Discount**").

These discounts are for the first franchise only (first franchise of THE CLEANING AUTHORITY or any of our affiliates). In determining whether an individual qualifies for the discount, we may be guided by the definitions used by applicable United States or Canadian government offices, but the decision remains ours.

**Diversity Discount**

We reduce the total of the Franchise Fee and Territory Fee by $5,000 for all minority-owned, women-owned, and LGBTQ+-owned businesses. To qualify for the Diversity Discount, the Franchised Business must be at least partially owned by a woman, minority, or individual of the LGBTQ+ community who meet our requirements to purchase a Franchised Business. This discount is for the first franchise only. In determining whether an individual qualifies for the discount, we may be guided by the definitions used by applicable United States government offices, but the decision remains ours. As of the date of this disclosure document, we have adopted the definition of (a) "minorities" to include the groups with the following ethnic origins: African, Asian Pacific, Asian Subcontinent, Hispanic, Native Alaskan, Native American and Native Hawaiian; and members of other groups designated from time to time by the Small Business Administration and (b) "LGBTQ+ community" to mean individuals who identify as lesbian, gay, bisexual, transgender, queer/questioning and others who identify as same/similar gender attracted and/or transgender.

**Local Hero/First Responder's Discount**

We reduce the total of the Franchise Fee and Territory Fee by $5,000 for all law enforcement officer, firefighter, doctor, nurse or paramedic/emergency medical technician ("**EMT**")-owned businesses. To qualify for this discount, the Franchised Business must be partially owned by an individual whose occupation is described above who meet our requirements to purchase a Franchised Business. This discount is for the first franchise only and does not apply to any transaction involving brokers or any other third-party referral sources.

**Pre-Opening Purchases**

*Local Marketing Fee Deposit.* Simultaneously with the payment of the Franchise Fee and Territory Fee, you are required to pay us an amount equal to 50% of the first 13 weeks of Local Marketing Fees ("**Local Marketing Fee Deposit**"), as described below in Item 6. The Local Marketing Fee Deposit will be applied towards your first 13 weeks of Local Marketing Fees proportionate to your weekly amounts due.

*Training Software Access Fee.* Simultaneously with the payment of the Franchise Fee and Territory Fee, you are required to pay us a one-time Training Software Access Fee of $250. We will then provide you access to the online training modules on our software system.

**Uniformity of Fees**

Initial franchise fees paid may not be uniform. From time to time, we may vary, reduce, negotiate or make an exception to our standard initial fee structure and/or payment terms related to mergers or other transactions, as well as for our existing franchisees or franchisees of our affiliates. For example, we may offer opportunities to purchase a franchise at a reduced initial fee to our or our affiliates' qualified existing franchisees in good standing. We may discontinue, modify, withdraw or reinstate any such opportunities or variations to initial fees without notice to you at any time.

## ITEM 6
## OTHER FEES

| Type of Fee[(1)] | Amount | Date Due | Remarks |
|---|---|---|---|
| Royalty Fee | For Enterprise Markets, 6% of first $600,000 Gross Revenue during the calendar year; 5% of Gross Revenue from $600,000.01 to $1,300,000; 4% of Gross Revenue above $1,300,000.01.<br><br>For Hometown Markets, 6% of first $300,000 Gross Revenue during the calendar year; 5% of Gross Revenue from $300,000.01 to $550,000; and 4% of Gross Revenue above $550,000.01.<br><br>The rate reverts to 6% at the start of the next calendar year. | Weekly, unless we designate a different period | See Note 2 for the definition of "**Gross Revenue**."<br><br>Reduced rates do not apply if you are not in compliance with your agreements with us or our affiliates. In that case, the royalty remains at 6%.<br><br>If you are in default under your Franchise Agreement, we can increase your royalty rate by one percent (1%) of Gross Revenue. See Note 3. |
| Brand Fund Contribution | For both Enterprise Markets and Hometown Markets, 1% of Gross Revenue or $200 per week, whichever is less. | Same as Royalty Fee | We can increase the contribution above 1% or above the $200 cap if 50% or more of our Franchised Businesses consent to the increase. The purpose of the Brand Fund is to support general development and recognition of THE CLEANING AUTHORITY brand. |

| Type of Fee[(1)] | Amount | Date Due | Remarks |
|---|---|---|---|
| Local Marketing Fee (Note 4) | Currently $.374 multiplied by a percentage of the Designated Households ("**DHH**") in your Territory (9% to 13% depending on your number of customers, with lower thresholds for Hometown Markets).<br><br>We may periodically increase the Local Marketing Fee, provided increases do not exceed the cumulative annual increase of 4% each calendar year. Increases may be implemented in a single increase or multiple increases during the calendar year. | Weekly, in arrears, unless otherwise designated | You are required to sign the Local Marketing Services Agreement ("**LMSA**") attached to the Franchise Agreement. The LMSA sets out the terms of the Local Marketing Program, as defined in Item 6 below. See Note 4 for further details. |
| Key Account Programs | Will vary under circumstances and may be determined based on number of participating franchisees or other factors. | As incurred | Payable to us or to vendor. See Note 5. |
| Call Center Fee | Currently $1.75 per call with a new prospective customer and $2.50 per call for all other calls.<br><br>Beginning June 1, 2023, the Call Center Fee will increase to $2.00 per call with a new prospective customer and $3.00 per call for all other calls. | Same as Royalty | We reserve the right to increase the Call Center Fee and/or to charge a minimum fee for this service. We reserve the right to terminate your access to the Call Center, and we also reserve the right to cancel the Call Center program. If you do not comply with the "live" voice requirement as stated in the Brand Standards Manuals, we have the right to increase your royalty by one percent (1%) of Gross Revenue, in addition to any other remedies available to us under this Agreement, including default and termination. |

| Type of Fee[1] | Amount | Date Due | Remarks |
|---|---|---|---|
| Technology Fees | Currently, a Software Access Fee of $30.25. Beginning July 1, 2023, the Software Access Fee will increase to $33.25. | Weekly, unless we designate a different period | You will pay ongoing fees for various technology services and apps. The specific services and apps and the applicable fees will vary over time. We reserve the right to change this fee and/or require that you pay vendors for additional required technology services and/or products. |
| Brand Fund Materials | Our costs | As invoiced | Payable only if we reproduce or customize Brand Fund materials for you. |
| Additional Opening Support Fee | A reasonable fee, up to $500 per day, plus the reasonable travel, meal, and lodging expenses of our opening support personnel | As invoiced | If you request opening support beyond what we customarily furnish to franchisees, and if we agree to furnish such additional support, then we will have the right to impose a fee, plus expenses, for providing the agreed additional support. |
| Training Fees – Pre-Opening | None, unless you request and we agree to accept extra trainees at $1,000 per day per extra trainee, plus our trainers' reasonable costs and expenses, when applicable | Before training session begins | For all training, including initial training, you are responsible for all travel expenses, living expenses, wages, and other expenses incurred by your trainees. See Item 11 under "Training" for further information about our Training Program. |

| Type of Fee[1] | Amount | Date Due | Remarks |
|---|---|---|---|
| Training Fees – Remedial and Optional Training | None currently | Before training session begins | We can charge a training fee: (a) if we require remedial training as a result of your failure to comply with our Brand Standards; (b) for re-training persons who are repeating a training program, or their substitutes; and (c) for training programs that we make optional for franchisees. If we conduct on-site training, you must also pay the travel, meals and lodging expenses for our trainer(s). |
| Annual Conference | Currently, one complimentary registration and a cost set by Franchisor thereafter | As invoiced | Applies only if we schedule an annual conference for franchisees. We reserve the right to change our attendance fee. |
| Non-attendance Fee | The then-current fee, currently $2,000 | As invoiced | If the individuals required to attend our annual conference fail to attend, you must pay our non-attendance fee. If the individuals required to attend our annual conference fail to attend for 2 consecutive years, we may opt to increase your Royalty Fee by 1% of Gross Revenue. |
| Service Deficiency Fee | Our costs | As invoiced | Payable if we receive a customer complaint about services you performed and we determine that we must either re-perform the services to the customer's satisfaction or reimburse the customer. |

| Type of Fee[1] | Amount | Date Due | Remarks |
|---|---|---|---|
| Transfer Fee | Generally, $10,000.<br>However, if the proposed transferee was referred by a third-party (e.g., a broker) with whom we have a referral arrangement, then you must pay us an additional fee equal to the amount owed under that referral arrangement.<br>If we identify the prospective purchaser, then in addition to the $10,000 fee, you must pay us the greater of: (a) $15,000; (b) 3% of the total purchase price; or (c) our actual costs to identify the prospective purchaser. | With request for approval of transfer | Payable if you or an Owner proposes to sell the business assets of the Franchised Business or an ownership interest in the legal entity. |
| Change of Ownership Fee | Currently, (a) the greater of $500 or our external legal and administrative costs; plus (b) applicable training fees for the individuals we require to attend training. | With request for approval of change of ownership | Payable if you or an Owner proposes to modify ownership of the legal entity in a way that would not result in a change of control of the legal entity. We may modify our change of ownership fee. |
| Procurement of Insurance | Cost of insurance plus reasonable fee of up to 25% of total insurance premium cost. | Upon demand | Payable only if you fail to obtain required insurance and we elect to obtain it on your behalf. |
| Vendor Review | Our reasonable costs, plus the reasonable travel, meal and lodging expenses of our vendor review personnel. | Within 30 days after invoice | Payable only if you ask us to evaluate a potential vendor; payable whether or not we approve the vendor. Please see Item 8. |
| Management Fee | Up to $500 per day, plus our costs and overhead. | Within 30 days after invoice | Payable only if: (a) the Key Person (see Item 15) dies or is incapacitated, and we elect to manage the Franchised Business pending transfer of his or her interest; or (b) the Key Person is arrested for or formally charged with a serious criminal offense and we take over operation of the Franchised Business pending final disposition of the charges. |

| Type of Fee[1] | Amount | Date Due | Remarks |
|---|---|---|---|
| Step In Fee | Up to $500 per day, plus our costs and overhead | As invoiced | If you are in default under your Franchise Agreement, we have the right to step in and operate the Franchised Business until we determine the default has been cured. We may charge you a fee for these services. |
| Interest | 12% per annum or the maximum rate permitted by applicable law, whichever is less | With payment of overdue amount | Applies only if you do not pay us on time. We calculate interest from the date the payment was due until paid in full. |
| Late Fee | $100 for second occurrence of payment more than 30 days past due; $200 for third occurrence; $300 for each subsequent occurrence | With payment of overdue amount | We can charge a late fee to compensate us for our administrative costs incurred in enforcing your obligation to pay us and submit required reports to us. |
| Insufficient Funds Fee | $50 or the amount the bank charges us due to the insufficient funds, whichever is greater. | Upon demand | Payable if an electronic funds transfer payment request is returned due to insufficient funds. |
| Indemnity for Tax Withholding | Amount of any penalties, interest, and expenses we incur | As invoiced | Payable only if you are obligated by law to withhold taxes on any payments to us, and you fail to do so. |
| Audit Costs | Our costs and expenses of conducting audit, including travel and lodging. | Upon demand | Payable only if: (a) you did not submit Gross Revenue statements; (b) you did not keep full books and records; or (c) the total Gross Revenue you reported for any three consecutive months is more than 2% below the audited Gross Revenue. |

| Type of Fee[1] | Amount | Date Due | Remarks |
|---|---|---|---|
| Non-Compliance Fee | 1% of Gross Revenue | As invoiced | We are entitled to increase your Royalty Fee by 1% of Gross Revenue during any period of your non-compliance with the Franchise Agreement or the Brand Standards. |
| Enforcement costs | Will vary under circumstances | As invoiced | You must reimburse us for expenses we reasonably incur (including reasonable attorneys' fees) to enforce your obligations. |
| Defense Costs | Our actual costs and expenses | As invoiced | Payable if you initiate a legal proceeding against us and you do not prevail in obtaining the relief you were seeking. |
| Indemnification | Will vary under circumstances | As incurred | You must reimburse us if we incur any damages, losses or expenses, including reasonable attorneys' fees and other costs, as a result of claims arising from the operation of your Franchised Business. |
| Liquidated Damages | The greater of: (i) two years of Royalty Fees (calculated as your average Royalty Fees per payment period in the year preceding the termination of your Franchise Agreement, multiplied by the number of payment periods occurring in a two-year period); or (ii) $100,000. | Upon demand | Payable only if we terminate the Franchise Agreement based on your default. |
| De-Identification Fee | Our costs | Upon demand | If you fail to de-identify your Franchised Business following the termination or expiration of the Franchise Agreement, we may do so on your behalf. You are required to reimburse us for any costs we incur. |

**Explanatory Notes:**

(1) Unless otherwise noted, all fees are non-refundable, and payable to us. We intend for the fees described in this Item to be uniformly imposed on all franchisees receiving this offering. However, from time to time, we may make an exception to our standard fee structure and/or payment terms. We have no obligation to deviate from our standard fee structure and/or payment terms to fees and/or terms that are more favorable to you. For all amounts payable to us and our affiliates, you must use the payment method(s) that we designate from time to time. We currently require payment by Automated Clearing House (ACH) or electronic funds transfer and you must designate an account at a commercial bank of your choice at the time of signing your Franchise Agreement and furnish the bank with authorizations at the time of signing your Franchise Agreement to permit us to make withdrawals from that account. Unless otherwise specified or agreed upon, all fees listed in this table are applicable to each Territory granted to you and the amount of each fee will be due and payable in the manner and at the times described in the table for each Territory independently, and not in the aggregate.

(2) "**Gross Revenue**" means all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter or other value and regardless of collection in the case of credit and even if you have contracted with third parties to provide certain of the services, less any bona fide refunds given to customers in the ordinary course of business. Gross Revenue also includes amounts billed to insurance or government programs. Further, Gross Revenue includes all revenue related to the sale of any products and the performance of any services (whether or not the products or services are approved by us) that are provided using any portion of the Franchised Business in any manner, including the Marks (such as service vehicles, invoices, and uniforms bearing the Marks), the System, Confidential Information, any of the employees of the Franchised Business, or the telephone number of the Franchised Business. Gross Revenue also includes any proceeds of business interruption insurance. Your Gross Revenue will not be reduced on account of any fees or commissions you pay to third parties who refer customers.

Gross Revenue does not include any sales taxes or other taxes you collect from customers and pay directly to the appropriate taxing authority. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from Gross Revenue as circumstances, business practices, and technology change.

(3) We reserve the right to increase your Royalty if by 1% of Gross Revenue if: (a) the required individuals fail to attend our annual convention for two (2) consecutive years; (b) you do not comply with our requirement to provide "live" answering of telephone calls to the Franchised Business; or (c) you otherwise fail to comply with your obligations under the Franchise Agreement.

(4) As indicated in the table, under the LMSA, the Local Marketing Fee is determined based on a percentage of Designated Households in your Territory. Initially, the minimum will be 9% to 13% of the Designated Households in your Territory, depending on your number of customers (the number thresholds are lower for Hometown Markets). If your weekly Gross Revenue equals or exceeds $25,000 for four consecutive weeks ($13,000 for Hometown Markets), then the Local Marketing Fee for an Enterprise Market will be the dollar amount for 1-100 customers and the Local Marketing Fee for a Hometown Market will be the dollar amount for 1-75 customers.

We can increase the Local Marketing Fee, subject to the limitations described in the table. We will give franchisees 30 days' advance notice of a change to the Local Marketing Fee.

If you default on the payment of your Local Marketing Fee, we reserve the right, among other remedies, to (a) suspend or refuse production of the Local Marketing Services until payment has been made in full; (b) require that you enter into a payment plan for any past due amounts; and/or (c) require that you pre-pay a minimum of two (2) weeks of Local Marketing Fees for a period of time that we determine.

(5) We or our affiliates may from time to time enter into agreements to provide services to customers as part of a national, regional or Key Account program (sometimes also referred to as "**National Accounts**"). If you are required to participate in a Key Account program or choose to participate in an optional program, you must pay the fees designated by us or the vendor as part of the program, which may be based on the number of franchisees participating and other factors and may include fees to support our administration of the program. The fees may be charged directly to you or may be paid to us in the form of a rebate from the vendor. We cannot estimate what the cost to you will be of participation in Key Account programs, as it will be dependent on the terms of future contracts with vendors.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT
## YOUR ESTIMATED INITIAL INVESTMENT[1]

**Enterprise Market**

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|---|
| | Low Estimate | High Estimate | | | |
| Territory Fee[2] | $22,500 | $45,000 | Lump Sum | On signing Franchise Agreement | Us |
| Franchise Fee[2] | $20,000 | $20,000 | Lump Sum | On signing Franchise Agreement | Us |
| Computer, including Training Software Access Fee | $1,750 | $2,750 | As Arranged | As Arranged | Us and Various Third-Party Suppliers |
| Washer, Dryer & Furniture | $1,500 | $3,000 | As Arranged | As Arranged | Various Third-Party Suppliers |
| Cleaning Equipment and Supplies | $2,500 | $2,500 | As Arranged | As Arranged | Various Third-Party Suppliers |
| Travel and Living Expenses While Training[3] | $2,500 | $3,500 | As Arranged | As Arranged | Various Third-Party Suppliers (e.g. airlines, hotels, restaurants) |
| Insurance and Insurance Deposits[4] | $5,000 | $7,000 | As Arranged | As Arranged | Various Third-Party Suppliers (insurance companies) |

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|---|
| | Low Estimate | High Estimate | | | |
| Opening Inventory | $2,000 | $2,500 | As Arranged | As Arranged | Various Third-Party Suppliers |
| Office Rent and Security Deposit [5] | $6,000 | $12,000 | As Arranged | As Arranged | Landlord |
| Local Marketing Fee Deposit - 50% of first 13 weeks [6] | $6,563 | $13,127 | Lump Sum | On Signing Franchise Agreement | Us |
| Local Marketing Fees - remaining 50% of first 13 weeks[6] | $6,563 | $13,127 | Weekly | The fee is due weekly in arrears on Wednesdays | Us |
| Vehicle Lease or Purchase[7] | $0 | $2,000 | As Arranged | As agreed upon | Third-Parties |
| Full Time Manager[8] | $0 | $14,250 | As Arranged | As arranged | Your manager, governmental withholdings |
| Additional Funds (3 months)[9] | $27,000 | $34,000 | As Incurred | As incurred | Various Third-Party Suppliers |
| **TOTAL[10]** | **$103,875** | **$175,250** | | | |

**Hometown Market**

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|---|
| | Low Estimate | High Estimate | | | |
| Territory Fee[2] | $11,250 | $22,499 | Lump Sum | On signing Franchise Agreement | Us |
| Franchise Fee[2] | $15,000 | $15,000 | Lump Sum | On signing Franchise Agreement | Us |
| Computer, including Training Software Access Fee | $1,750 | $2,750 | As Arranged | As Arranged | Us and Various Third Party Suppliers |
| Washer, Dryer & Furniture | $1,500 | $3,000 | As Arranged | As Arranged | Various Third-Party Suppliers |

| Type of Expenditure | Amount | | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|---|
| | Low Estimate | High Estimate | | | |
| Cleaning Equipment and Supplies | $2,500 | $2,500 | As Arranged | As Arranged | Various Third-Party Suppliers |
| Travel and Living Expenses While Training[3] | $2,500 | $3,500 | As Arranged | As Arranged | Various Third-Party Suppliers (i.e. airlines, hotels, restaurants) |
| Insurance and Insurance Deposits[4] | $5,000 | $7,000 | As Arranged | As Arranged | Various Third-Party Suppliers (insurance companies) |
| Opening Inventory | $2,000 | $2,500 | As Arranged | As Arranged | Various Third-Party Suppliers |
| Office Rent Security Deposit[5] | $6,000 | $12,000 | As Arranged | As Arranged | Landlord |
| Local Marketing Fee Deposit - 50% of first 13 weeks [6] | $3,281 | $6,563 | Lump Sum | On Signing Franchise Agreement | Us |
| Local Marketing Fees – remaining 50% of first 13 weeks[6] | $3,281 | $6,563 | Weekly | Due weekly in arrears on Wednesdays | Us |
| Vehicle Lease or Purchase[7] | $0 | $2,000 | As Arranged | As agreed upon | Third Parties |
| Full time manager[8] | $0 | $13,750 | As Arranged | As arranged | Your manager, governmental withholdings |
| Additional Funds (3 months)[9] | $25,000 | $28,000 | As Incurred | As incurred | Various Third Party Suppliers |
| **TOTAL[10]** | **$79,061** | **$127,623** | | | |

**Notes:**

(1) These tables estimate the costs you will incur to develop and open a Franchised Business. Unless specified otherwise, all amounts paid to us are non-refundable. We make no representation as to whether any of the estimated investment amounts payable to third-parties are refundable.

(2) Calculation of the Franchise Fee and Territory Fee is discussed in detail in Item 5. If your Enterprise Market Territory has more than 60,000 Designated Households, your Territory Fee will be greater than $45,000. If you Hometown Market Territory has more than 29,999 Designated Households, your Territory Fee will be greater than $22,499.

(3) These expenses include travel and living expense costs associated with the Initial Training Program (applicable to all franchisees) and the 3-day On-Site Training (applicable to franchisees that purchase an existing THE CLEANING AUTHORITY Franchised Business). These fees may or may not be refundable depending upon supplier terms. See Item 11.

(4) Before you open your Franchised Business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. Insurance cost will vary based on where your Franchised Business will be located, your prior experience with the insurance carrier, the loss experience of the carrier, and other factors. You should check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums. The estimate assumes a 25% deposit plus 3 months of payments on the first-year premium. See Item 8 for more information regarding our insurance requirements.

(5) You will need a small office of approximately 800 to 1,200 square feet for Enterprise Markets and approximately 700 to 1,100 square feet for Hometown Markets, which will serve as your employees' "home base" and storage area for cleaning equipment and supplies, as well as other materials and equipment necessary for the operation of the Franchised Business. The estimate provided assumes 3 months of rent and a security deposit. Office rentals will vary; you should consult a local real estate expert. Your office must be located within your Territory.

(6) For Enterprise Markets, we estimate that the Local Marketing Fees for the first 13 weeks will range from $12,636 to $25,272 and that you have between 30,000 and 60,000 Designated Households in your Territory. For Hometown Markets, we estimate that the Local Marketing Fees for the first 13 weeks will range from $6,318 and $12,363 and that you have between 15,000 and 29,999 Designated Households in your Territory. You are required to pay 50% of the first 13 weeks of the Local Marketing Fee at the time of signing your Franchise Agreement (See Item 5). The first 13 weeks, the Local Marketing Fee will be reduced by 50% and the Local Marketing Fee Deposit will be applied over the course of this 13-week period.

(7) This estimate reflects the costs for purchasing or leasing a vehicle for a period of three months, including monthly vehicle lease or loan payments, sales tax, and title fees. The low end of the range ($0) assumes that you already have a vehicle that meets our requirements.

(8) The low estimate assumes that the principal Owner of the Franchised Business will devote full working time to the supervision and management of the Franchised Business. The high estimate assumes that we have consented to the supervision and management of the Franchised Business by a qualified, full-time manager whom you hire and who successfully completes all training we require. The high estimate is for three months' of salary for the approved manager.

(9) This is an estimate of additional funds you may need during the initial period of operation of the Franchised Business, which we define as three months from opening. It includes such costs as incorporation, monthly on-line access fees to the internet, employee recruitment costs, and employee wages (excluding any salary to you and any salary to an approved, full-time manager of the Franchised Business, which is covered in note 7 above) and advertising expenses for the first three months. It does not include any royalty fees you are required to pay. These figures are estimates and we can't guarantee that your expenses won't be higher. Your costs will vary depending upon factors such as how well you follow our procedures; your management and sales skills; competition; economic conditions; the local wage market for your employees; the local market for our services; and other factors.

(10) A Conversion Franchise may, subject to our approval, use previously purchased equipment and materials including a vehicle, computer, washer/dryer, cleaning equipment and supplies, and opening inventory.

We have used our and our predecessors' combined 20 years of experience, as well as information we have received from our franchisees, to make these estimates. Costs will vary depending upon a number of factors. There is no assurance that your experience will correspond with these cost estimates. Except as noted above or in other Items of this disclosure document, all payments to us are uniformly imposed and non-refundable. Payments you make to third-party suppliers may or may not be refundable depending on supplier terms. Except as set forth in Item 10, we do not provide financing for any portion of your initial investment.

As used in this Item 7, "**As arranged**" means as agreed between you and the supplier or vendor, and "**As incurred**" means as you incur the applicable expense.

You should review these estimates carefully with an accountant or other business advisor before making any decisions to buy a Franchised Business. The figures shown in this Item 7 are only estimates. Factors unique to your location, including the time of year you launch your Franchised Business, can affect your actual costs.

Except as described in Item 10 for the Franchise Fee, we do not provide financing to franchisees in connection with their initial investment. The availability and terms of financing from third parties will depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have, and lending policies of financial institutions.

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

We have the right to require that all equipment, technology, inventory, supplies, vehicles, signs, furnishings, fixtures, décor items, retail merchandise, payment systems, and other products and services that you purchase for use or resale in the Franchised Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from vendors that we have expressly approved; and/or (c) be purchased only from a single source (which may include us or our affiliates) at the then-current price. To the extent that we establish specifications, require approval of vendors, or designate specific vendors for particular items, we will notify franchisees via the Operations Manual or otherwise.

We and our affiliates earn a profit on products and services we sell to you directly, and we and our affiliates may receive rebates, administrative fees, commissions, licensing fees, or other benefits from unaffiliated vendors and distributors with respect to their sales of products or services to you or other THE CLEANING AUTHORITY franchisees, whether or not the product or service is presently mentioned in this Item. Except as limited by applicable law, we and our affiliates have the right to retain any payments received from vendors.

We, or our affiliate, BuyMax, negotiate purchasing arrangements under which vendors agree to make goods or services available to Franchised Businesses on specific terms. You agree to participate in and abide by the terms of any vendor purchase program we establish.

The following specific restrictions on your purchasing are in effect as of the issuance date of this disclosure document, but we can impose other restrictions at any time:

**Items you must purchase from us or affiliates:**

*Local Marketing Program*. We are the only approved supplier of the Local Marketing Program. The term "**Local Marketing Program**" means our advertising of THE CLEANING AUTHORITY brand, the cleaning services offered under the Marks, and the System, as conducted in your Territory in coordination with our similar advertising program in the territories of other franchisees, and includes the array of local marketing activities and services that we offer at any given time and perform pursuant to the LMSA. The activities and services at any given time will include one or more of the following, but may also include other marketing-related activities and services not listed here: advertising design, digital marketing for generation of customer leads, digital marketing for generation of customer reviews, tracking of leads, performance analytics, production and printing of marketing pieces, list management, mail management, market studies, strategy and analysis, research and development, platform design, development and integration, shipping and delivery to the United States Postal Service or other carrier, and other marketing-related programs and services as we determine from time to time. The Local Marketing Program will only be used to promote The Cleaning Authority businesses. You will pay us the Local Marketing Fee for these services (see Item 5 and Item 6).

*Software*. You are required to use our proprietary software, which is currently TCA IQ. You must pay us the Training Software Access Fee (see Item 5) and ongoing fees (see Item 6) to use TCA IQ.

*Branded Products.* All other products that carry the Marks must be purchased only from us or suppliers approved or designated by us. This includes all stationery, forms, marketing pieces, signage, uniforms, patches, and other private labeled materials.

*BuyMax Purchases.* BuyMax sells miscellaneous non-branded products, such as general materials and supplies for business use, maintenance and repair services. Although none are required purchases as of the date of this disclosure document, we reserve the right in our sole discretion to require you to purchase branded products, equipment, materials or other items related to the Franchised Business directly from BuyMax or through purchasing programs arranged by BuyMax or any other of our affiliates.

*Insurance.* We are exploring the possibility of designating a specific vendor for insurance, but we have not done so as of the date of this disclosure document.

**Items you must purchase from designated or approved third parties:**

We have designated approved vendors (manufacturers and distributors) for certain items. BuyMax negotiates purchasing arrangements with many of these vendors. As of the date of this disclosure document, they include:

*Cleaning Supplies*. You are required to use housecleaning products, devices and practices that meet certain scientific-based environmental standards and are certified by an approved company engaged in the testing and certification of products (including housecleaning solutions, devices, and related products). We will provide you with a list of such cleaning products and certification companies in the Operations Manual or otherwise in writing. You must use our "green" logo in connection with your business operations. Although you are not currently required to purchase cleaning supplies from us, we are one of several approved suppliers of cleaning supplies, including vacuum cleaners. We have negotiated special pricing rates or discounts with some suppliers for the System, which are available to you; however, we may discontinue this practice in the future.

*Call Center*. You are required to use a call center or similar type of answering service so that any customer that calls will reach a live voice, rather than an answering machine. We do not allow you to use an answering machine or have your phones forwarded to a mobile phone or other similar device during normal business hours for answering calls from prospective customers. We are an approved supplier for

this service (see Item 6 for current fees). However, as of the date of this disclosure document, you may contract with another approved live voice service to answer calls.

*Telephone Services.* We may require that the telephone numbers and electronic identities you use in connection with the Franchised Business be owned and controlled by us or an approved supplier. We may require you to "port" or transfer to an approved call routing and tracking supplier all phone numbers associated with the Franchised Business. We reserve the right to require you to use our branded toll-free number. We recommend that you also retain and utilize a caller analytics and recording system.

*Electronic Money Programs and Loyalty Programs*. If we set up programs relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, or other electronic money programs, we will designate the vendors that you must use for these programs. As of the date of this disclosure document, we do not have any such programs.

**Items that must meet our specifications:**

For the following items, we have not designated a specific source or vendor that you must use, but you must follow our specifications and/or obtain our approval of the vendor. As of the date of this disclosure document, they include:

*Technology*. As further described in Item 11, we give you, at the time of your Initial Training Program, detailed specifications for your computer and the minimum hardware and software requirements needed to open a Franchised Business.

*Insurance*. You must maintain the types and minimum amounts of insurance coverage and bonds we specify for Franchised Businesses. The tables below set out our required and recommended insurance coverage as of the date of this disclosure document:

| **REQUIRED INSURANCE COVERAGE** | |
|---|---|
| **Type** | **Minimum Coverage** |
| Comprehensive General Liability | $1 million per incident / $2 million aggregate<br>Your broad form liability must provide lost key coverage to re-key Customer homes or offices if the Customers' keys become lost or damaged while in your care, custody or control, and third-party dishonesty coverage on all employees to pay for theft by an employee of any Customer or property. |
| Automobile Liability for owned, leased, hired and non-owned vehicles | No Specific Policy Limits |

| REQUIRED INSURANCE COVERAGE | |
|---|---|
| **Type** | **Minimum Coverage** |
| Workers Compensation | As required by law in your area. If your state does not have specific requirements, then:<br>$1,000,000 per employee<br>$1,000,000 per accident<br>$1,000,000 policy limit |
| Property Insurance | Policy Limits determined by the cost to replace the contents in your office including:<br>Furniture<br>Fixtures<br>Equipment (including computer equipment)<br>Cleaning supplies |
| Fidelity/Employee Dishonesty Rider | Coverage for theft by employees of:<br>i. Cleaning Authority money/property; and<br>ii. Theft by employees from clients |

| RECOMMENDED BUT NOT CURRENTLY REQUIRED INSURANCE COVERAGE | |
|---|---|
| **Type** | **Minimum Coverage** |
| Commercial Umbrella Policy | $1 million excess over all underlying liability coverages per occurrence and $1 million in the aggregate |
| Business Interruption | 12 months loss of income, including coverage for our Royalty Fees with no co-insurance clause |
| Employer Liability | $1 million per incident<br>$1 million per employee<br>$1 million policy limit |
| Employment Practices | $25,000 policy limit |
| Cyber Liability | $25,000 policy limit |

Your insurance policies must be written by a carrier with an industry rating acceptable to us, must name us, AB Inc. (in its capacity as Manager under the management agreement with us), and their parents, subsidiaries, and affiliates, and their respective officers, directors, members, shareholders and employees as additional insureds, and must not have deductibles, exclusions or co-insurance that are unacceptable to us. All public liability and property damage policies must contain a waiver by the insurance company of subrogation rights against us and our affiliates, successors and assigns.

We can increase the coverage requirements and/or require different or additional kinds of insurance as we deem necessary.

Prior to opening your Franchised Business, you must provide us with certificates of insurance demonstrating that you have met the requirements. At least 30 days before expiration of a policy, you must furnish evidence of renewal or replacement insurance. If you do not obtain the required coverage, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you must reimburse us for the cost of insurance, plus a reasonable fee for our services.

*Other items*. We provide you with a list of approved manufacturers, suppliers and distributors ("**Approved Suppliers List**") and approved products, services, fixtures, furniture, equipment, supplies and other items or services necessary to operate the Franchised Business ("Approved Supplies List"). The Approved Supplies List may specify the manufacturer of a product, service or piece of equipment, or it may set forth the specifications and/or standards for approved products or services. We may revise the Approved Suppliers List and Approved Supplies List. We give you the approved lists as we deem advisable, including by making them available in the Operations Manual.

**Vendor Approval Process**

If we require you to use an approved vendor for a particular item, but you wish to purchase the item from a source that we have not approved, you may submit a written request for approval of the vendor, unless it is an item for which we have designated a specific vendor. To obtain approval, proposed vendors must demonstrate the ability to meet our standards and must possess adequate quality controls and capacity to supply your needs promptly and reliably. We will provide the relevant standards and specifications to vendors that wish to become approved vendors, provided that the proposed vendor signs a confidentiality agreement; however, we may refuse to disclose product formulations or specifications that we deem to be extremely sensitive. At our request, you must submit samples and other information we require to examine, test and determine whether the proposed vendor meets our specifications and quality standards. We may also require that the proposed vendor allow our representatives to inspect its facilities. We may charge vendors a license fee to use our trademarks or other proprietary property. We may also charge vendors a rebate for participation in our purchasing program.

We have no obligation to approve any specific vendor or any minimum number of vendors for any item, and any proposed vendor relationship must not jeopardize the availability of any special pricing or other benefits offered by existing vendors based on system-wide purchases. We may require you to pay a fee to cover our costs of reviewing a proposed vendor, which you must pay whether or not we approve the vendor. We generally will give you written notice of approval or disapproval of the proposed vendor within 30 days after receiving your request and completion of evaluation and testing, if required. You may not sell or offer for sale any products or services of the proposed vendor until you receive our written approval.

We have the right to revoke approval of particular vendors if we determine that their products or services no longer meet our standards. Upon receipt of written notice of revocation, you must stop buying from the disapproved vendor. In addition, if we revoke our approval of the products because they fail to meet our standards, you may be required not to use your remaining inventory of those products.

* * *

Your purchases from us or our affiliates will be at the prices and on the terms in effect at the time of your purchase.

We, or our affiliate, BuyMax, negotiates contracts with providers of goods and services, including but not limited to insurance, financing, fuel cards, and fleet programs, in an effort to obtain favorable pricing for our franchisees, our affiliates' company-owned outlets, several of our affiliates; and for independent BuyMax members who participate in the program for a fee. BuyMax does not negotiate purchase

agreements on behalf of individual members. Terms of purchase agreements may vary based on any number of factors and prices may change from time-to-time.

Other than as noted above, we do not currently negotiate purchasing arrangements with vendors on behalf of our franchisees, but we and our affiliates, including without limitation, our affiliate, BuyMax, reserve the right to do so, including pricing terms. Our ability to negotiate and maintain arrangements with vendors may depend on the participation of as many THE CLEANING AUTHORITY franchisees as possible. Accordingly, if we name a specific vendor for a product or service, you must obtain the product or service from that designated vendor. You must comply with the terms and conditions included in the contract with a specific vendor and, if applicable, through the purchasing arrangements and/or programs that we require.

As noted above in this Item, vendors may make payments to us or our affiliates based on franchisees' use of the vendors. Vendor payments may include participation fees per franchise, rebates based on actual purchases, marketing contributions for joint promotion of the vendor's products with our brand, and/or sponsorship fees for conferences and other events. As of the date of this disclosure document, we receive rebates, licensing fees, administrative fees, commissions or other compensation from some vendors ranging from .5% to 13%. We will use any restricted funds in the manner agreed with the vendor. Except as limited by applicable law or by agreement with the vendor, we have the right to pass through, share or retain all or a portion of any rebates, commissions, discounts or beneficial pricing that we obtain from vendors. We may use these monies to, among other things, recapture costs related to maintaining the vendor program, negotiating designated vendor arrangements, facilitating orders and making a profit. In some cases, you may also receive rebates from BuyMax vendors.

For the fiscal year ended December 31, 2022, we had revenue of $28,702,809 from providing products and services to THE CLEANING AUTHORITY franchisees, including Local Marketing Fee revenue, which was 65% of our total revenue for the fiscal year.

For the fiscal year ended December 31, 2022, our affiliates, BuyMax and Successware, had revenue of $1,810 and $19,018, respectively, from purchases by THE CLEANING AUTHORITY franchisees. These figures include revenue from direct sales as well as any rebates or discounts our affiliates received from approved vendors based on their sales to our franchisees.

As of the date of this disclosure document, none of our officers owns an interest in any unaffiliated vendors that sell products or services to our franchisees.

We estimate that your required purchases and leases from us and approved suppliers will be 50% to 70% of all purchases and leases in establishing the Franchised Business. We estimate that your required purchases and leases from us and approved suppliers will be 10% to 30% of all purchases and leases in operating the Franchised Business.

There are no purchasing cooperatives or distribution cooperatives in our franchise system as of the date of this disclosure document. We do not provide material benefits to franchisees based on their purchase of particular products or services or use of particular vendors.

## 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 Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | Sections 1.2 and 6.25 | Items 7, 8, and 11 |
| b. Pre-opening purchases/ leases | Section 1.11, 4, 5.4, and 10.3 | Items 5, 6, 7, and 8 |
| c. Site development and other pre-opening requirements | Section 4 | Items 5, 7, 8, and 11 |
| d. Initial and ongoing training | Section 5 | Items 6, 7 and 11 |
| e. Opening | Sections 4.4, 4.5, 4.6 | Item 11 |
| f. Fees | Sections 2.7, 4.1, 4.5, 4.6, 5.4, 5.8, 6.6, 7, 8.5, 8.10, 9.2, 10.3, 10.4, 10.5, 15.2, 15.3, 15.4 15.9, 16.1, 16.7, 16.8, 19.1, Data Sheet (Appendix A), Brand Appendix (Appendix B) | Items 5, 6 and 7 |
| g. Compliance with standards and policies/Operations Manual | Sections 6.1, 12 | Items 11 and 14 |
| h. Trademarks and proprietary information | Sections 11, 12, and 13 | Items 13 and 14 |
| i. Restrictions on products/ services offered | Sections 6.3 and 6.13 | Items 8 and 16 |
| j. Warranty and guest service requirements | Sections 6.1, 6.9, 6.17, 6.18, 6.20, 6.21, and 7.5. | Items 7 and 8 |
| k. Territorial development and sales quotas | Section 6.19 | Item 12 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| l. Ongoing product/service purchases | Sections 6.1, 6.9., and 6.10 | Items 6, 7 and 8 |
| m. Maintenance, appearance and remodeling requirements | Sections 6.16 and Section 6.24 | Items 11 and 17 |
| n. Insurance | Section 9 | Items 7 and 8 |
| o. Advertising | Sections 4.3, 7.3, and 10 | Items 5, 6 and 11 |
| p. Indemnification | Section 20 | Item 6 |
| q. Owner's participation/ management/staffing | Sections 1.15, 5.8, 6.2, 6.14, 6.23, 18 | Item 15 |
| r. Records and reports | Sections 6.21, 8, 22.1 | Item 6 |
| s. Inspections and audits | Sections 6.15, 6.20, 11.3 16.6 | Item 6 |
| t. Transfer | Section 15 | Item 17 |
| u. Renewal | Section 19 | Item 17 |
| v. Post-termination obligations | Section 17 | Item 17 |
| w. Non-competition covenants | Section 14 | Item 17 |
| x. Dispute resolution | Section 23 | Item 17 |
| y. Other – Personal Guarantee | Attached to FA | Item 15 |

## ITEM 10
## FINANCING

In our discretion, we may permit you to finance up to 75% of the combined Franchise Fee and Territory Fee rather than paying the entire amount in a lump sum when you sign the Franchise Agreement. However, we do not offer financing for any transaction involving brokers or any other third-party referral sources.

If financed, the balance of the Franchise Fee and Territory Fee can be paid in up to 36 monthly installments of principal and interest at an interest rate of 12% per annum beginning on the first of the month following the first full month after you sign your Franchise Agreement. You can prepay the balance at any time without penalty.

A franchisee that finances the Franchise Fee and/or Territory Fee must sign the Promissory Note and Guaranty in Exhibit B to this disclosure document. If the franchisee is a corporation or other business entity, its owners must also sign as guarantors.

To secure payment of the Promissory Note, we require a security interest in the assets of the Franchised Business. You must sign the Security Agreement in Exhibit B, and we may file a UCC financing statement with the appropriate governmental authority to perfect our security interest. You agree to waive demand for payment, presentment for payment, protest, notice of nonpayment or dishonor, and any and all other notices and demands whatsoever.

Under the Franchise Agreement, you must make all payments to us by the payment method(s) we designate from time to time, and this requirement applies to the Promissory Note. We currently require payment by ACH or electronic funds transfer and you are required to designate an account at a commercial bank of your choice at the time of signing your franchise agreement from which we are able to make withdrawals. You agree to complete and submit to us an authorization for ACH or other electronic funds transfer in the form we or your financial institution may require at the time of signing the Promissory Note. You agree to maintain sufficient funds in the account to cover the amounts payable to us. If funds in the Account are insufficient to cover the amounts payable at the time we make our periodic electronic funds transfer, the amount of the shortfall will be deemed overdue. Additionally, if the electronic funds transfer payment request is returned due to insufficient funds, you are required to pay us a fee equal to the greater of: (a) $50 or (b) the amount the bank charges us due to the insufficient funds.

If you are in default of the Promissory Note or the Franchise Agreement, we can declare the outstanding principal balance of the Promissory Note and all unpaid accrued interest immediately due and payable. If you default, you must pay our reasonable attorney's fees and other legal costs we incur in enforcing payment and collection of the balance due. In addition, under the cross-default provision of the Franchise Agreement, we have the right to treat a default under the Promissory Note and Guaranty or under the Security Agreement as a default under the Franchise Agreement, and we can terminate the Franchise Agreement if you do not cure the default.

We may sell, assign or discount the Promissory Note to a third party. If we sell or assign the Promissory Note, it will not affect our obligation to provide the services to you that are described in the Franchise Agreement, but the third party may be immune under the law to any defenses to payment you may have against us.

Except as described above, we do not offer direct or indirect financing to franchisees. We will not guarantee your Promissory Note, lease, or other obligation.

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

**Except as listed below, we are not required to provide you with any assistance.**

We will provide the services described in this Item 11 through our affiliate, AB Inc., and its employees.

**Pre-Opening Obligations**. Before you open the Franchised Business:

A. We will provide the Training Program described in this Item to you and your senior management level employees. You must pay for your travel and related expenses. (Franchise Agreement, Section 5.1)

B. We will assist you with ordering the Equipment Package and required technology, signs, fixtures, furnishings, inventory, and supplies from designated vendors. (Franchise Agreement, Section 4.1)

C. We will provide you with a copy of, or electronic access to, the Operations Manual. (Franchise Agreement, Section 12)

D. We will set you up with access to one or more websites and/or mobile applications that are open only to franchisees (the "**Franchisee Portal**"), if applicable. We may use the Franchisee Portal for communications, training, or other purposes and may require you to use it for reporting or other purposes. (Franchise Agreement, Section 6.8)

E. We will help set you up an account with an approved Call Center. (Franchise Agreement, Section 6.6)

F. We will provide you with information on how to acquire the TCA IQ software package. (Franchise Agreement, Section 6.7)

G. We will initiate the Local Marketing Services described in Item 6, subject to your payment of the applicable fees. (Franchise Agreement, Section 10.3)

H. We will provide opening support and assistance as we deem appropriate, at the time(s) and in the manner we determine. If you request opening support beyond what we customarily furnish to Franchised Businesses, and if we agree to furnish the additional support, then we will have the right to impose a fee, plus expenses, for providing the agreed additional support. (Franchise Agreement, Section 4.6)

**Continuing Obligations**. During the operation of the Franchised Business, we will:

A. Administer the Local Marketing Program described in Item 8 for the Local Marketing Fee stipulated in Item 6 (Franchise Agreement, Section 10.4; Local Marketing Services Agreement, Attachment B-1 to the Brand Appendix).

B. Make available to you a call center where your telephone calls can be transferred to a live person. We reserve the right to terminate your involvement in this program if you are in default

under your Franchise Agreement or you are abusive to our Call Center representatives, and we also reserve the right to cancel the call center program. (Franchise Agreement, Section 6.6).

C. Make available additional required and optional training programs as we deem appropriate. (Franchise Agreement, Section 5.2)

D. Develop and maintain the Brand Standards. (Franchise Agreement, Section 6.1)

E. Manage the operation of the Franchisee Portal, if applicable. (Franchise Agreement, Section 6.8)

F. Notify you, via the Operations Manual or otherwise, when we establish specifications, require approval of vendors, or designate specific vendors for particular items. (Franchise Agreement, Section 6.10)

G. Manage our Brand Standards assessment program. (Franchise Agreement, Section 6.21)

H. Manage the Brand Fund, as described below in this Item, and make available to you any creative materials financed by the Brand Fund. You agree to pay or to reimburse us for any costs to reproduce the materials and/or to customize the materials for your use. (Franchise Agreement, Section 10.2)

I. Review your proposed advertising and promotional plans and materials. (Franchise Agreement, Section 10.6)

J. Manage social media accounts, profiles, pages, and registrations that promote the Marks or the Franchised Business, if we require them to be registered in our name. (Franchise Agreement, Section 10.10)

K. If we offer a customer warranty and/or satisfaction guarantee to THE CLEANING AUTHORITY customers, monitor and manage compliance with the warranty/satisfaction guarantee program. (Franchise Agreement, Section 6.18)

L. Manage contracts and relationships with Key Accounts, as defined in Item 12 below. (Franchise Agreement, Section 2.5)

In addition, we may provide you with access to an independent, third-party employment law hotline (the "**Hotline**"). You acknowledge that we have no liability with respect to any advice you may receive through the Hotline or otherwise in connection with your use of the Hotline and we may discontinue offering access to the Hotline at any time upon prior notice. You must fully indemnify us for any liability, cost, expense, loss or damage, including attorney's fees and costs, arising from your use of the Hotline or reliance on information received during your use of the Hotline, including as a result of any allegations or findings of any joint employer status.

**Site Selection**

You must locate your office within your Territory. Your office may not be located in a home. We will not own or lease your office location. We do not provide you with any assistance in locating a site for your office. You must select the site, but we must consent to the proposed location prior to your lease or acquisition of the site. When reviewing a proposed location, we will consider the size and whether it is within your Territory. On average, our offices have approximately 800-1,200 square feet for an Enterprise

Market and 700-1,100 square feet for a Hometown Market. Provided that your proposed location satisfies our requirements, we will consent to your office location. However, there are no restrictions on the amount of time we have to review or consent to the proposed location. Our approval of the location indicates only that we believe it falls within our criteria for Franchised Businesses. If the proposed location is not approved, you cannot begin operating; we will encourage you to submit alternative site(s). We will have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate and enter into the lease for the office premises.

**Typical Time to Opening**

The typical length of time between signing the Franchise Agreement and opening the Franchised Business is 30 to 90 days. The factors that affect the timing of your opening will or may include, among other things, your completion of the Training Program, locating and securing an office space, build out efforts, hiring issues, the speed at which you operate, and implementation of your marketing plan. If you do not open the Franchised Business to the public by the opening deadline specified in your Franchise Agreement, we will have the right to terminate the Franchise Agreement. (Franchise Agreement, Sections 4.5 and 16.1.3)

**Training Program**

Before the Franchised Business opens, the Key Person (see Item 15) and any Owners we designate must attend and successfully complete an initial training program (the "**Training Program**"). We conduct the Training Program at our headquarters and schedule sessions as needed. The Training Program usually lasts 10 business days. Training must be completed to our satisfaction at least one day prior to the opening of the Franchised Business. We alone have the right to judge whether a person has successfully completed the Training Program. Successful completion may require passing tests to establish proficiency in the delivery of services, use of technology and software applications, and other areas we designate. We will have the right to terminate the Franchise Agreement if, at any time during the Training Program, we conclude in our sole judgment that any person required to attend the Training Program does not possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or this Agreement. We have the right to vary the duration and content of the Training Program based on the trainee's prior experience in similar businesses.

**TRAINING PROGRAM**

The Training Program consists of the following:

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON THE JOB TRAINING | LOCATION |
|---|---|---|---|
| Introduction and Leadership | 2 | 0 | Columbia, Maryland |
| Operations and Profitability | 12 | 0 | Columbia, Maryland |
| Marketing & Customer Acquisition | 3.5 | 0 | Columbia, Maryland |
| Product and Store Information | 0.5 | 0 | Columbia, Maryland |
| Staff Training, Management & Culture Development | 13 | 0 | Columbia, Maryland |
| On The Job Training – Various Business Aspects | 0 | 45.5 | Columbia, Maryland |

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON THE JOB TRAINING | LOCATION |
|---|---|---|---|
| Software Training | 6 | 0 | Columbia, Maryland |
| **TOTAL HOURS** | **37** | **45.5** | |

Our instructors have an average of over 14 years of industry experience and over 13 years with our brand. We may also bring in outside consultants to assist us in this training. Training materials will include our Operations Manual and our proprietary software system. Our current trainers are below:

| Name | Industry Years of Experience | Years with Our Brand |
|---|---|---|
| Katie Dills | 13 | 13 |
| Leanne Stapf | 10 | 10 |
| Phil Diehl | 6 | 6 |
| Scott Benson | 1 | 1 |
| Bob Wittenstein | 19 | 19 |
| Ryan Seitsema | 19 | 19 |
| Traci Marcum | 15 | 15 |
| Rose Defibaugh | 22 | 22 |
| Pam Chiasson | 5 | 5 |
| Heather Alverio | 18 | 18 |
| Michele Redwood | 19 | 19 |
| Wanda Rush-Gurson | 12.5 | 12.5 |
| Jason Rilley | 25 | 15 |
| Greg Hillis | 20 | 15 |

We do not charge a separate fee for the Training Program. You must pay the travel and living expenses for your personnel to attend training at our headquarters.

In addition to the Training Program, the purchaser of an existing THE CLEANING AUTHORITY Franchised Business must attend a 3-day training session at an existing Franchised Business that we designate (the "Site Training Facility"). The 3-day training will cover a variety of topics referenced in the above table and is intended to immerse the purchaser in the daily operation of a Franchised Business. The purchaser must pay all travel and living expenses for the 3-day training at the Site Training Facility.

In addition, for your payment of the Training Software Access Fee, we will provide you access to our online training modules on our software system. See Item 5.

After the Franchised Business opens, we will make available, at the time(s) and location(s) we designate, such other required and optional training programs as we deem necessary and appropriate. For training that we designate as required, the individuals that we designate are required to successfully complete the training. We have the right to provide training programs in person, by video, via the internet, or by other means, as we determine, and the training may be performed by us, our affiliates, or third parties.

Any training provided by us to any of your employees will be limited to training or guiding the employees regarding the delivery of approved services to customers in a manner that reflects the customer

and client service standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your employees. You are solely responsible for ensuring that your employees receive adequate training. Any evaluation or inspection we conduct is not intended to exercise control over your day-to-day operation of the Franchised Business or to assume any responsibility for your obligations under the Franchise Agreement.

**Advertising Programs**

*Local Marketing Program.* We have the right, in light of our marketing expertise and research regarding effective advertising of the System: (a) to formulate and design the Local Marketing Program, including the program options and vendors made available to franchisees from time to time; (b) to develop and control all content for the Local Marketing Program (the "**Content**"); and (c) to determine the uses and distribution of all such Content. We have the right to administer each program, as well as other programs we elect to offer in the future, which may include appointment generation platforms, billboards, radio ads, etc. We can change or end a program at any time and add new programs at any time. As noted in Item 8, you must sign the LMSA and purchase all Local Marketing Program services from us.

The LMSA will remain in effect indefinitely and will automatically terminate upon the expiration or termination of your Franchise Agreement. If you are in default of your obligations under the LMSA or the Franchise Agreement, we may suspend some or all of the Local Marketing Program services without terminating either agreement. However, we also have the right to terminate the LMSA sooner by written notice if: (i) you are in default under the Franchise Agreement; (ii) you are in default under the LMSA and the default continues for a period of ten (10) days after we deliver written notice of default; or (iii) we discontinue the Local Marketing Program. We have the right to discontinue the Local Marketing Program in whole or in part. If we discontinue the Local Marketing Program, we will notify the Franchise Advisory Council ("**FAC**") and allow 30 days for feedback from the FAC, which feedback will be advisory only. We will make the final decision but will take into consideration the feedback of the FAC. If the Local Marketing Program is discontinued, your obligation to pay the Local Marketing Fee will cease (or be reduced accordingly if discontinued in part) at that time.

*Brand Fund*. We have a marketing fund for THE CLEANING AUTHORITY system (the "**Brand Fund**"). As of the date of this disclosure document, the required Brand Fund contribution for both the Enterprise Market and the Hometown Market is 1% of weekly Gross Revenue or $200, whichever is less. Franchisees under previous forms of franchise agreement may contribute at other rates. Company-owned THE CLEANING AUTHORITY Franchised Businesses will contribute to the Brand Fund on the same basis as new franchisees. Details regarding the establishment, operation, and reporting of the Brand Fund are contained in the Operations Manual.

The purpose of the Brand Fund is to support general development and recognition of THE CLEANING AUTHORITY brand. We will have the right to direct all advertising, marketing, public relations, and other activities to promote, develop and enhance the brand, with final discretion over strategic direction, creative concepts, the materials and endorsements to be used, and the geographic market and media placement. We may use the Brand Fund to pay costs and expenses as we determine in our sole discretion, including but not limited to: production of video, audio, written, online and mobile marketing materials; purchasing promotional items; sponsorship of sporting, charitable, or similar events; design, establishment, and maintenance of websites, social media, mobile applications and other electronic marketing; implementation of advertising programs, in-store promotions, direct mail, and media advertising; marketing and sales training; employing advertising agencies; conducting public relations, consumer research, product development, product testing, and test marketing programs; developing and implementing trade dress and design prototypes; fulfillment charges; salaries and expenses of our employees and affiliates working for

or on behalf of the Brand Fund; fees of accounting firms, design firms, public relations firms, consultants and ad agencies; legal fees for advertising pre-clearance, defense of false advertising claims, and defense of any claims made regarding our administration of the Brand Fund; other administrative costs and overhead incurred in activities related to the administration and activities of the Brand Fund; and interest on any monies borrowed by the Brand Fund.

Our marketing and advertising department will prepare advertising, marketing, and related materials and programs. We will make available to you any creative materials designed by the Brand Fund. You must pay or reimburse us for any costs to reproduce the materials and/or to customize the materials for your use.

We may develop advertising and promotional materials and displays for the solicitation of franchisees. You must display such materials and displays as we require from time to time. Our consumer website and other online activities supported by the Brand Fund may also include information about our franchise opportunity.

We have no obligation to make expenditures for you from the Brand Fund that are equivalent or proportional to your contributions, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Fund. You have no right to reduce or withhold contributions based on any alleged lack of benefits to your Franchised Business or based on failure by any other franchisee (with or without our permission) to make its contributions to the Brand Fund.

We have no obligation to have the Brand Fund independently audited. We will, however, prepare an annual unaudited statement of contributions to and expenditures of the Brand Fund. You can obtain a copy by making a written request. Any expenditures for independent accounting services in connection with the annual statement will be charged to the Brand Fund.

During the fiscal year ending on December 31, 2022, of the monies spent from the Brand Fund, 56% was spent on National Advertising & Programs, 30% of the funds were spent on Marketing Support, 6% was spent on Public Relations and 8% was spent on Creative Production. If all of the Brand Fund contributions are not spent in the year in which they are received, the remaining amounts are retained in the Brand Fund for use in the following year.

The Brand Fund is not a trust and does not give us a fiduciary obligation. Other than our express obligations in the Franchise Agreement, we assume no liability with respect to maintenance, direction, or administration of the Brand Fund. We have the right to incorporate, replace, change or dissolve the Brand Fund; however, the Brand Fund will not be terminated until all monies in the Brand Fund have been expended for its purposes or rebated to franchisees on a pro-rata basis.

Other than administering the Brand Fund as described above, we do not have an obligation to conduct advertising on your behalf.

*Referral Programs.* As of the date of this disclosure document, we offer two (2) referral incentive programs:

**A. Standard Referral**

Our affiliate, AB Inc., is sponsoring a franchise referral sweepstakes in conjunction with the referral incentive program. The referral incentive program pays $20,000 to an existing franchisee of ours or any of our affiliated brands who first directly refers a candidate who: (a) has not previously been referred to us by another source or otherwise been in contact with and/or engaged with us, our affiliates or third party

consultants or agents; (b) has not previously signed a franchise agreement with us or any of our affiliated brands; (c) who meets our qualifications for becoming a franchisee; (d) signs a franchise agreement in a new location on or before September 1, 2023 (the "**2023 Referral Period**"); and (e) pays the Franchise Fee and Territory Fee in full at the time of signing the franchise agreement. The incentive payment is only paid with respect to the first franchise purchased by the candidate, regardless of the total number of franchises purchased in a single transaction. In addition, all existing franchisees who receive a referral incentive payment as described above may be eligible to win a sweepstakes prize equivalent to $5,000 per referral we and any of our affiliated brands received during the 2023 Referral Period. We anticipate that the referral sweepstakes will be scheduled to end at 11:59 PM ET on October 31, 2023, but this may change at our sole discretion. The referral incentive program will restart beginning on November 5, 2023. An "**Existing Franchisee**" is the person or entity defined as "Franchisee" in the Franchise Agreement governing the referring Franchised Business. We reserve the right to apply incentive payments to any outstanding balances or past due amounts due to us by an Existing Franchisee. Additional terms and conditions may apply.

**B. Conversion Referral Program**

We offer a referral incentive program that pays ongoing incentive payments for up to three (3) years ("Incentive Period") to an Existing Franchisee (as defined above) of ours or any of our affiliated brands, subject to certain conditions, who first directly refers a candidate who: (a) has not previously been referred to us by another source or otherwise been in contact with and/or engaged with us, our affiliates or third party consultants or agents; (b) has not previously signed a franchise agreement with us or any of our affiliated brands; (c) who meets our qualifications for becoming a franchisee under the Conversion Incentive Program; (d) signs a franchise agreement with our standard terms in a new location on or before March 31, 2024; and (e) pays the Franchise Fee and Territory Fee in full at the time of signing the Franchise Agreement ("**Conversion Referral**"). The incentive payment is only paid with respect to the Franchised Business(es) first franchise signed with us in a single transaction, regardless if additional territories are acquired by the Conversion Referral during the Incentive Period. The incentive payments are paid by check to the Existing Franchisee within forty-five (45) days of the end of the quarter of the current calendar year, according to the Conversion Referral's Royalty Fee payments made to us ("Royalties Paid"). The incentive payments will be calculated and paid according to the following schedule: (a) During the first twelve (12) months following the Original Opening Date: 30% of Royalties Paid; (b) Months 13 through 36 following the Original Opening Date: 15% of Royalties Paid. We may require the Conversion Referral and the Existing Franchisee to sign a separate agreement acknowledging and agreeing to the terms of this program for eligibility purposes. An "Existing Franchisee" is the person or entity defined as "Franchisee" in the Franchise Agreement governing the referring Franchised Business. We reserve the right to apply incentive payments to any outstanding balances or past due amounts due to us by an Existing Franchisee. Additional terms and conditions may apply.

We may change or eliminate the referral incentive programs at any time without notice. Franchisees participating in the referral programs are not our sales agents and are not authorized to make any statements on our behalf, including any statements related to the financial performance or prospect for success of any franchise.

*Joint Marketing Programs and Cooperatives*. We have the right to establish: (1) co-marketing programs in which Franchised Businesses and vendors (or other third parties) cross-promote each other's goods and services; (2) joint marketing efforts in which multiple Franchised Businesses contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives ("**Cooperatives**") that pool funds of Franchised Businesses in a geographic area or with common characteristics on an ongoing basis to jointly promote the Marks and the Franchised Businesses. The amount we require you to spend or contribute to joint marketing programs and/or a Cooperative may be credited to your obligation for Local Marketing or, at our option, to your Brand Fund obligations, or any combination of the two. You are required to participate

in each applicable joint marketing program and comply with the rules of the program. As of the date of this disclosure document, we do not require you to participate in or to contribute to an advertising cooperative. If a Cooperative applicable to the Franchised Business is established during the term of this Agreement, you are required to become a member no later than 30 days after the date we approve for the Cooperative to begin operation. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative.

*Approval Requirement*. All proposed advertising and promotional materials that you intend to use must be submitted to us for approval at least 30 days before their intended use. You do not have to submit samples of materials that were prepared by us or that we have approved within the last twelve months. Proposed advertising materials are deemed to be disapproved unless we have approved them in writing within 15 days after your submission of the samples. All advertising and promotion must be in the media and of the type and format that we approve, must be conducted in a dignified manner, and must conform to our standards. You may not make any television or radio appearance or any statement to any public media in connection with the Franchised Business or the Brand unless you obtain our prior written approval.

You may not solicit or advertise to customers outside of your Territory without our permission. "Solicit" includes, but is not limited to, solicitation in person, by telephone, by mail, through the internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. If any solicitation of customers within the Territory is in media that will or may reach persons outside of the Territory, you are required to notify us in advance and obtain our consent. If you receive a request for services or products from outside the Territory, you are required to refer that request to the Franchised Business located in the applicable territory (or to us, if we have not assigned the applicable territory to a Franchised Business). Notwithstanding the foregoing, under certain limited circumstances, you may process a request from outside of the Territory if the requested service is permitted under our policies. If we permit you to advertise, solicit, service or sell in areas outside of the Territory that are not serviced by another Franchised Business or by us or an affiliate, you must comply with all of the conditions and other requirements that we specify in the Operations Manual or otherwise with respect to such activities. All franchisees that operate in the same marketing area may be required to use a common toll-free telephone number in their advertising media. All advertising, including internet-based advertising, must be designed to route customers to the franchisee serving that customer's location.

*Electronic Marketing and Electronic Communications*. The use of any digital or electronic medium constitutes advertising and promotion subject to our approval. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any website, URL, social media, blog, messaging system, email account, username, text address, mobile application, or other digital, electronic, mobile or internet presence that uses or displays any of our trademarks (or any derivative thereof) or that promotes any products or services of the Franchised Business. You may not, directly or indirectly, post or transmit advertisements or solicitations by telephone, e-mail, text message, instant message, website, social media, mobile apps, VoIP, streaming media, or other electronic media that are inconsistent with our brand advertising guidelines and standards. The brand advertising standards may include the use of disclaimers, warnings, and other statements that we prescribe. We have the right to require that social media accounts, profiles, pages, and registrations that primarily promote the Marks or your Franchised Business be registered in our name. For any such accounts that we permit to be registered in your name, you agree to provide us with the current login credentials within five days after opening the account or changing the credentials. We have the rights to: (i) access any social media accounts to take corrective action if the account or any postings are in violation of our policies; and (ii) take ownership of the accounts on expiration or termination of the Franchise Agreement and operate them thereafter as we see fit. We may offer to provide, or may require that you have, a website for your Franchised Business (which may be structured as a separate page of a website supported by the Brand Fund).

*Pricing and Promotional Activities*. To the extent permitted by applicable law where your Franchised Business is located, we have the right to establish maximum and/or minimum prices that you must follow for goods and services sold by the Franchised Business. You must participate in and comply with the terms of special promotional activities that we prescribe for franchisees generally or in specific geographic areas or for specific types of venues. These activities may include special offers, limited time offers, and pricing promotions. You must bear your own costs of participating in these activities and must display promotional signs and materials and otherwise participate in the manner we request.

*Franchisee Advisory Council.* The FAC is currently made up of 6 franchisees, who are elected by the franchisee body at large. The FAC meets usually twice per year to discuss matters of common interest, including any advertising or marketing strategies. We will consider the FAC's recommendation, but we have the sole right to accept or reject its recommendations. At least one member from our corporate office serves as a liaison to these meetings. We have the right to change, modify or dissolve the FAC.

**Technology Requirements**

We have the right to specify the point-of-sale (POS) system, customer relationship management (CRM) system, back-office system, software applications, audio/visual equipment, security systems, electronic payment devices, and other hardware, software, and network connectivity for the Franchised Business. You must sign any standard license agreement or user agreement that may be required to use a system that we specify. You must use the required systems for service calls, managing inventory, reporting Gross Revenue and other information, training personnel, and other functions as we specify from time to time. You must ensure that your employees are adequately trained to use the systems and that they follow applicable policies.

As of the date of this disclosure document, we require the following:

- You must have or purchase a personal computer, smart phone, and/or tablet capable of running the latest version of Microsoft Windows or iOS operating system. Your computer must be equipped to support Microsoft Office Professional suite and latest versions of Microsoft's web browser or Safari browser software. We estimate the cost for these items will range from $800-$2,000.

- You must have access to the internet, communication networks and telephone system with adequate speeds to connect to our systems and conduct daily business activities. We estimate this cost to be in the range of be $300 to $1,500 per year depending on your providers and the number of services you choose to purchase.

- As noted in Items 5, 7 and 8, you must install our proprietary business management software, currently TCA IQ, before your Franchised Business opens. You must access TCA IQ from your computer and use daily in the operation of the Franchised Business and pay us a weekly software access fee (see Item 6). The TCA IQ system collects detailed information about customers of the Franchised Business (including names, cleaning price, cleaning instructions, and other pertinent information for potential and actual customers of the Franchised Business), and financial information and tools.

- We may also require that you purchase third party software or license software as a service (SaaS) (this could be email, QuickBooks or other software) from us or our approved vendor list to support business activities and information/data integration to our systems. You must pay to our designated vendor the then-current fee.

- You are required to implement industry-standard administrative, physical, and technical security measures and devices, including firewalls and anti-virus systems, to protect your systems and data from unauthorized access, acquisition, loss, destruction, disclosure or transfer. You are solely responsible for protecting the Franchised Business from viruses, computer hackers and other communications and computer-related problems. You must update and patch your systems, at your expense, as the software and technology vendors release them to ensure your computer system is adequately protected from cyber threats. You may buy the firewall protection system, the virus protection and the content management software programs from any company that sells them. You will be solely responsible for data and data breaches and the associated risks and liability, even if we recommend a vendor. If you refuse to purchase any required security products, we may purchase them for you and you must reimburse us. You are also required to use best efforts to verify that your suppliers, lenders, landlords, customers, and governmental agencies are reasonably protected. In the event of a known or suspected security breach, you agree to notify us promptly and comply with applicable laws and any instructions from us regarding response to the breach.

- You are required to maintain your technology systems in good working order at all times. The vendors of the required systems generally provide maintenance and upgrades as part of your ongoing support fees (see Item 6). Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You will bear all costs of maintenance, repairs, upgrades, or updates. We estimate the total annual cost of optional or required maintenance, updates, upgrades, and support will be approximately $290 to $1,000 per year.

- If you do not timely pay any fees due to us or our affiliates or you are in default of any agreement with us, we may "lock out" your access to our proprietary business software with no liability to us for the lost service.

Our system requirements and specifications may evolve over time. You must promptly update and upgrade your systems as we require, at your own expense. There is no contractual limitation on the frequency and cost of this obligation. We have the right to change to a different vendor for all of these systems and, in some cases, required items may only be available through us and/or designated vendors.

*Data Access*. We have the right to independently access your business data, wherever maintained. We also have the right to require you to deliver business data to us. We can use (and to authorize others to access and use) franchisees' business data to, among other uses: (i) verify sales; (ii) monitor progress of Franchised Businesses; (iii) prepare a financial performance representation for our franchise disclosure document; and (iv) share vendor and supplier pricing data with our affiliates. There is no contractual limitation on our right to receive or use this information.

We own and have the right to access all Customer Data, in whatever form existing, and wherever stored. Because we own the Customer Data, we can share it with our affiliates, service providers, contracted third parties, or any other person, for any purpose, without notifying or compensating you, both during and after the term of the franchise, including marketing and cross-selling products and services. Whenever we request, and without request upon termination or expiration of your Franchise Agreement, you must promptly deliver all customer data in your possession or control, without retaining any of it in any media. You may not sell or disclose to anyone else any personal information or aggregated or non-aggregated Customer Data without first obtaining our written consent. In the event of an approved sale of the Franchised Business to a new owner who will continue to operate the Franchised Business under an agreement with us, you may not transfer the Customer Data to the new owner.

If permitted by applicable law, we may monitor your e-mail or other electronic communications and may disclose this information if we have a good faith reason to believe it is necessary for the purposes of ensuring your compliance with the Franchise Agreement or protecting our rights, property and interests (or those of our affiliates and franchisees and customers of our franchisees). As you use our THE CLEANING AUTHORITY website, you may receive, access or use information, materials, graphics, software, data and content originated by us or other parties. We may terminate or suspend your access to, and listing or related information on, THE CLEANING AUTHORITY website at any time. Upon termination or suspension, your right to use THE CLEANING AUTHORITY website will immediately cease and any information you may have stored on THE CLEANING AUTHORITY website may no longer be accessible or available for retrieval. You are required to provide us with any information or material we deem necessary to comply with applicable law to promote your Franchised Business on THE CLEANING AUTHORITY website.

**Operations Manual**

The Table of Contents of the Operations Manual is in Exhibit H to this disclosure document. The Operations Manual has 186 pages.

## ITEM 12
## TERRITORY

Your franchise is granted for the Approved Location only. You must operate the Franchised Business from a physical office located within the Territory, and we must consent to the site before you sign a lease or otherwise acquire the location. You may not relocate your business premises without our prior written approval. Relocation must be to a location within your Territory (described below). If you ask to relocate, we will evaluate your request using the same standards that we apply to reviewing the proposed location of new Franchised Businesses. Unless otherwise agreed in writing, relocation does not change your Territory.

You will have a protected territory ("**Territory**") during the term of your Franchise Agreement, provided you are in full compliance with the terms of the Franchise Agreement and your obligation not to service customers outside of your Territory. "Protected" means that we will not operate a business under the Marks and the System in the Territory or authorize others to operate Franchised Businesses within the Territory, except as described below. This does not prohibit us from advertising or soliciting employees or independent contractors in your Territory.

You do not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The Territory will be identified by zip codes or as otherwise defined in the Data Sheet (Appendix A to your Franchise Agreement). "Territory" refers to both an Enterprise Market and Hometown Market, as applicable.

The major criterion we use to define your Territory is the number of Designated Households within the Territory at the time you sign the Franchise Agreement. The number of Designated Households in the Territory will be specified in the Data Sheet (Appendix A to your Franchise Agreement). Territories generally contain between 30,000 and 60,000 Designated Households for Enterprise Markets and between 15,000 and 29,999 Designated Households for Hometown Markets. We reserve the right to allow for more Designated Households in your Territory. We determine the number of Designated Households in your Territory by reference to information provided by third-party data compilation and demographic service providers. You will be able to choose your Territory based on available pre-defined Territories. We make

no representation or guaranty about the accuracy of the data provided by the third-party providers and therefore the actual number of Designated Households may be different or inaccurate than the actual counts at the time of signing the Franchise Agreement. Before signing your Franchise Agreement, we and you will agree to your specific Territory. We make no representation regarding the viability of your specific Territory, and it is incumbent upon you to independently review the demographics of your Territory. The number of Designated Households in a Territory may fluctuate over time, but your Territory will remain the same. During the initial term of the Franchise Agreement, you will maintain rights to your Territory even though the Designated Households in your Territory may increase or decrease. However, on renewal, we will have the right to reconfigure the Territory (including, for example, changing from a Hometown Market to an Enterprise Market if a Designated Household increase puts it over the Designated Household threshold for a Hometown Market, or reducing the size of the Territory to keep it within the Hometown Market Designated Household threshold).

We and our affiliates retain all rights not expressly granted to you in the Franchise Agreement. Among other things, regardless of the proximity to or the effect on your Franchised Business, we and our affiliates can:

1. establish, operate, franchise, and license others to operate businesses under the Marks at any location outside of the Territory;

2. operate a business under the Marks inside the Territory if: (i) we (or our affiliate) is operating a business under the Marks in the Territory as of the date you sign the Franchise Agreement; or (ii) we have notified you before you signed the Franchise Agreement that we (or our affiliate) intends to operate a business under the Marks in the Territory;

3. use the Marks in other lines of business, anywhere in the world;

4. establish and operate, and grant to others the right to establish and operate, similar businesses or any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Territory, under trademarks or service marks other than the Marks;

5. develop, manufacture, have manufactured, advertise, market, sell and distribute, at retail or wholesale, and license others to manufacture, sell or distribute, goods or services that are identical or similar to and/or competitive with those provided at your Franchised Business, whether under the Marks or any other name or mark, through dissimilar channels of distribution, including but not limited to through the internet, mobile applications, telemarketing, retail stores, and wholesale clubs, or other distribution outlets (other than Franchised Businesses) both inside and outside the Territory;

6. establish and operate, and to grant others the right to operate, businesses offering dissimilar products and services both inside and outside the Territory under the Marks; and

7. To acquire, be acquired by, or merge with other brands or outlets, even if the concepts or outlets are similar to the business operated under the System, and even if they have locations in the Territory. We will also have the right, in our sole discretion, to convert one or more outlets of the acquired, acquiring or merged brand to a Franchised Business within the Territory.

We have no obligation to compensate you in connection with any of these activities.

In addition, if you purchase a franchise territory that has an existing customer base due to out-of-territory sales by one or more existing franchisees, we may grant the existing franchisee(s) the right to continue providing services to those customers for a period of time ranging from 3 to 18 months, in our sole discretion. We will provide you with data identifying the existing customers for whom these continuing serves are authorized. After the expiration of the authorized time period, any remaining customers in this group will be transitioned to you.

*Activities Outside of the Territory*. You may not perform services or sell products related to the Franchised Business outside of the Territory without our prior written consent, which we may give and withdraw as we deem appropriate, and which we may condition on you obtaining a separate phone number or other requirements. You may not solicit or advertise to customers outside of the Territory without our permission. "Solicit" includes, but is not limited to, solicitation in person, by telephone, by mail, through the internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. If any solicitation of customers within the Territory is in media that will or may reach persons outside of the Territory, you are required to notify us in advance and obtain our consent. If you receive a request for services or products from outside the Territory, you are required to refer that request to the Franchised Business located in the applicable territory (or to us or our affiliate, if we have not assigned the applicable territory to a Franchised Business). However, under certain limited circumstances, you may process a request from outside of the Territory if the requested service is permitted under our policies or otherwise approved by us. If we permit you to advertise, solicit, service or sell in areas outside of the Territory that are not serviced by another Franchised Business or by us (or our affiliate) ("Open Territory"), you will be required to comply with all of the conditions and other requirements that we may from time to time specify in the Operations Manual or otherwise in writing with respect to such activities. We may at any time condition your continued activity in Open Territory on your agreement to purchase the franchise rights for the territory in which the sales and services are being performed. At any time upon our demand, or upon notice from us that an Open Territory has been assigned to another Franchised Business, you must immediately cease all activities in that Open Territory, unless we expressly authorize you to continue services for a limited time to specified customers in the Open Territory, as described above in this Item. At the time we require you to cease activities in the Open Territory, you must comply with our procedures for the transition of the remaining customers in the group to the purchaser of the former Open Territory. Under no circumstances will we be liable to you for violations by other Franchised Businesses of our policies on out-of-Territory sales and services.

*Key Accounts*. We may from time to time enter into agreements to provide services to customers as part of a national, regional or key account program ("Key Accounts") at locations which include locations within the Territory. To participate in the Key Account program, you must meet the following qualifications: (i) be in compliance with all agreements you have with us; (ii) submit all required documents to us, including but not limited to proof of insurance, a W-9 form, EIN notice, and any other documentation we may request and/or require from time to time; and (iii) satisfy any additional training requirements we designate as a condition of participation in the program. We may charge you a fee to participate in Key Accounts (see Item 6), and you must sign our then-current Key Account agreement (not applicable as of the date of this disclosure document). You must accept and perform the terms of such agreements (including, without limitation, special pricing, payment terms, timing of services, and central invoicing) with respect of locations within the Territory. Certain Key Account agreements may require you to pay rebates to the customer, which we will negotiate with the customer on a case-by-case basis. If you refuse to perform the required services or we determine that your Franchised Business is not qualified, interested, able or available to perform the services, you are required to allow either our employee(s) or another franchisee to enter the Territory to perform the required services. In the case of an agreement under which the customer will pay a fixed amount for services at all locations listed in the agreement, we may allocate the fixed amount among the businesses performing the services.

*Other Channels of Distribution*. You may not offer products or services through any channel other than those we have expressly approved. If you request approval of any other distribution channel or type of outlet, we will consider the factors we deem appropriate, which may include the period of time you have been operating the Franchised Business, your sales volume, whether you have met quality standards and other benchmarks, and other standards that we may determine. You may not sell products to any vendor who would in turn sell to consumers.

Your rights to the Territory are not dependent upon you achieving certain sales volumes, market penetration or any other contingency, and may be altered only if you are not in compliance with the Franchise Agreement and all other agreements with us.

We do not have an obligation to reserve contiguous territories for you. You do not receive an option, right of first refusal or similar rights to acquire additional franchises within your Territory or contiguous territories.

As noted in Item 1, we have several affiliates that offer franchises for other types of services under different trademarks. As of the date of this disclosure document, except for TCA Canada, they do not sell goods or services similar to those of the Franchised Business, but some of their goods and services may be viewed as complementary to our brand's goods and services. You do not receive any rights with respect to the franchises offered by our affiliates. Neither we nor any of our affiliates have established any formal procedures to resolve conflicts that may develop among the affiliates concerning territory, customers, or franchisor support.

## ITEM 13
## TRADEMARKS

The principal trademark we license you to use is THE CLEANING AUTHORITY mark and the logo shown on the cover page of this disclosure document. The term "principal trademarks" means the primary trademarks, service marks, names, logos, and commercial symbols that you will use to identify the Franchised Business and does not include every trademark associated with THE CLEANING AUTHORITY brand. The term "Marks" is a broader term encompassing all of the marks we designate for the operation of THE CLEANING AUTHORITY Franchised Businesses.

The following principal marks are registered on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"):

| Mark | Registration Date | Registration No. |
|---|---|---|
| THE CLEANING AUTHORITY<br><br>(word mark) | April 13, 1999 | 2,237,954 |
| | December 8, 2008 | 3,543,201 |
| LIFE'S TOO SHORT TO CLEAN YOUR OWN HOME | June 17, 2008 | 3,448,682 |
| DETAIL-CLEAN ROTATION SYSTEM | March 20, 2012 | 4,116,370 |

| Mark | Registration Date | Registration No. |
|---|---|---|
| *Supplemental registration | | |
| | July 10, 2012 | 4,169,942 |
| MyTCA REWARD$ | August 27, 2013 | 4,391,804 |
| | February 21, 2017 | 5,145,535 |
| | December 9, 2008 | 3,543,199 |
| WHY WORK AFTER WORK | March 6, 2018 | 5,475,432 |

In addition, we have applied for registration of the following mark on the Principal Register of the USPTO:

| TRADEMARK | SERIAL NUMBER | DATE OF APPLICATION |
|---|---|---|
| LESS MESS LESS STRESS | 90853651 | July 28, 2021 |

Although we have filed this application, we do not have a federal registration for this mark. Therefore, this mark does not have as many legal benefits and rights as a federally registered mark. If our right to use this mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We have filed or intend to file all required affidavits and renewals for the Marks listed above.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or of any court, nor is there any pending infringement, opposition or cancellation proceedings. Our predecessor filed a lawsuit in the U.S District Court for the Eastern District of Michigan on February 4, 2021, against an infringing use of the mark THE CLEANING AUTHORITY by a third party operating under the name MICHIGAN MAID CLEANING AUTHORITY. The case is *The Cleaning Authority, LLC v. Michigan Maid Cleaning Authority, LLC*, Case

No. 2:21-cv-10264-SFC-CI. The case settled and resulted in the defendant Michigan Maid Cleaning Authority, LLC changing its mark to Michigan Maid Cleaning Advantage and the lawsuit was dismissed with prejudice on April 28, 2021. We also initiated litigation in *The Cleaning Authority Franchising SPE LLC v. Kevin Ducette d/b/a KD Cleaning Authority, LLC*, Case 2:22-cv-00059-RWS on March 21, 2022 in the US District Court for the Northern District of Georgia for trademark infringement by Mr. Ducette for his business named KD Cleaning Authority. The defendant failed to answer and default judgment was entered against Mr. Ducette on December 8, 2022 enjoining him from any unauthorized use of the trademark THE CLEANING AUTHORITY and/or any confusingly similar marks, logos, or designs, including but not limited to KD CLEANING AUTHORITY.

There are no currently effective agreements that limit our right to use or license the use of the principal marks. Other than the disclosed pending lawsuit in the Eastern District of Michigan, we do not know of any superior prior rights or infringing uses that could materially affect your use of the principal marks in your state.

You must follow our rules when you use the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate or business name or in any form on the internet, including but not limited to URLs, domain names, e-mail addresses, locators, links, metatags or search techniques. You must get our prior written approval of your company name before you file any registration documents. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically in our discretion. You may not use the Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

You must immediately notify us in writing of any apparent infringement or challenge to your use of the Marks and of any claim by any person of any rights in the Marks or in any similar name. We are not required to take any action; however, we will take action, we deem appropriate. We will control all proceedings relating to any infringement of the Marks. You will assist us in any hearings or suits to protect the Marks. We have no obligation to compensate or indemnify you for expenses or damages arising from such actions.

If we replace, add to, modify, or discontinue any of the Marks, you must make corresponding changes as we direct. If this happens, you are responsible for the costs of compliance (for example, changing letterhead and business cards).

You must not directly or indirectly contest our right to the Marks, copyrights, domain names, patents, trade secrets or business techniques that are part of our business, or instruct or assist any third party to do so, directly or indirectly.

All use of the Marks in electronic commerce, which includes all forms of electronic or computer communication, including your page on THE CLEANING AUTHORITY website, must comply with our requirements described in the Operations Manual. We have the right to designate one or more pages on our website to describe your Franchised Business. We may, in our sole and absolute discretion, provide links among our website and our franchisees' websites. We require that various types of marketing or advertising utilize a specific template or format. You must provide us with copies of all proposed applications for registration of any of the Marks or any variations for use in electronic commerce, including your internet or website address and domain name. You must obtain our prior written approval to file any such application, which approval we may withhold in our sole and absolute discretion. You may not, directly or indirectly, register, reserve, or use any domain names, metatags, key words, or social networking names, handles, usernames, or designations that incorporate any of our Marks or any portions or variations of the same, or terms used in any of the same, without our prior written approval to use, register or reserve the

same, which shall be owned by us whether or not you have sought or been granted such permission. The authorization and non-exclusive license granted to you to use the Marks imparts to you no ownership of the Marks and no rights whatsoever other than those expressly granted pursuant to the terms of the Franchise Agreement.

## ITEM 14
## PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

*Patents*. There are no patents or patent applications that are material to the franchise.

*Copyrights*. We claim common law copyright ownership and protection for the Brand Standards Manual Suite, DVD training materials we lend you, and for various sales promotional, other materials published from time to time, and other works used in operating the Franchised Business (the "**Works**"). We also own a copyright registration with the United States Copyright Office for the following Works:

| Title | Copyright Reg. No./Date | Type of Work | Expiration Date |
|---|---|---|---|
| IQ Source Code | TX0008766014 2019-07-10 | Computer file/source code | December 31, 2114 |
| TCA IQ | TX0008892897 2020-04-22 | Computer file/source code | December 31, 2114 |
| The Cleaning Authority Logo | VA0001770462 2011-04-14 | Design/Visual Material | December 31, 2103 |
| Detail-clean Rotation System Logo | VA0001770481 / 2011-04-14 | Design/Visual Material | December 31, 2103 |

We intend to renew the copyright registrations referenced in the table above.

We own all right, title and interest in and to any Content created in or for the Local Marketing Program. You will not acquire any right, title or interest in the Content, other than the right to access and use the Content as expressly granted in the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement and the Local Marketing Services Agreement.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Patent Trial and Appeal Board, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

You must immediately notify us in writing of any apparent infringement or challenge to your use of any patents or copyrights and of any claim by any person of any rights in the patents or copyrights. We are not required to take any action; however, we will take action we deem appropriate. We will control all proceedings relating to any infringement of the patents and/or copyrights. You will assist us in any hearings or suits to protect the patents and copyrights. We have no obligation to compensate or indemnify you for expenses or damages arising from such actions.

*Proprietary Information*. We claim proprietary rights in all Confidential Information, as defined in the Franchise Agreement, including the proprietary CRM, financial, local marketing, operating and scheduling software systems (which we reserve the right to change from time to time) identified in the

Operations Manual, the standards, methods, procedures and specifications of the System and the contents of the Operations Manual. You must maintain the absolute confidentiality of the Confidential Information both during the term and after the termination or expiration of the Franchise Agreement and not disclose any of the Confidential Information for any reason except as permitted by the Franchise Agreement. You can disclose the Confidential Information to your owners, officers, directors, members, partners, manager and employees only to the extent necessary for the operation of the Franchised Business in accordance with the Franchise Agreement. You further agree not to use any of the Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit from it not specifically approved in writing by us both during the term of the Franchise Agreement or afterwards. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Operations Manual. Upon termination of the Franchise Agreement, you must return to us all proprietary information, including but not limited to the Operations Manual and all other copyright material.

You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take action, and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information.

All data that you collect from customers and potential customers in connection with the Franchised Business during the term of the Franchise Agreement ("**Customer Data**") is our proprietary information and property and you must provide the Customer Data to us at any time that we request. We reserve the right to require that you provide us with remote access to your computer systems and all data related to the Franchised Business stored therein, in a manner that meets our System Standards and specifications. You have the right to use Customer Data while the Franchise Agreement or a renewal franchise agreement is in effect, but only in connection with operating the Franchised Business and only in accordance with the policies that we establish from time to time. You may not sell, transfer, or use Customer Data for any purpose other than operating and marketing the Franchised Business. If you transfer the Franchised Business, you cannot transfer the Customer Data to the buyer. At the expiration or termination of the Franchise Agreement for any reason, you will promptly turn over to us the Customer Data and make no further use of it for any purpose. Since your business relationship with THE CLEANING AUTHORITY customers is attributable solely to the Marks and the goodwill associated with the Marks, all such business relationships with all customers will revert to us and become our sole and exclusive property upon termination or expiration of the Franchise Agreement.

You may not introduce any "**Improvement**" (defined as any change, idea, innovation, concept (including any advertising slogan or idea), product, process, or improvement that may enhance or improve the System) into the Franchised Business without our prior written consent. Any Improvement developed by you or any owner, employee or agent is deemed to be our property. At our request, you must provide us with information about the Improvement and sign any documents necessary to verify assignment of the Improvement to us, without compensation. We will have the right to use, disclose, and/or license the Improvement for use by others.

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

You must designate an individual who will be responsible for the day-to-day operational performance of the Franchised Business and who has the authority to bind the Franchisee in all decisions regarding the Franchised Business (the "**Key Person**"). The Key Person is required to own at least 10% of the Franchised Business. The Key Person must complete our initial training program described in Item 11 and must work on premises at your business office.

We have the right to rely on any statement, agreement, or representation made by the Key Person on your behalf. The Key Person must certify your financial statements as correct and complete when you submit them to us. If the Key Person leaves your organization, you must nominate a replacement within 30 days, and if you have not obtained our approval of a replacement within 90 days, you will be in material default of the Franchise Agreement.

If the Franchisee is or will be a business entity, all of its Owners (whether or not they are involved in the operation of the Franchised Business) who own five percent or greater interest in the business entity must sign the Personal Guarantee attached to the Franchise Agreement, making each Owner individually liable for all obligations under the Franchise Agreement. If any of your Owners is also a business entity instead of an individual, we have the right to require that the Personal Guarantee be executed by individuals and any other business entities that have direct or indirect ownership in the Franchisee.

The spouse of an Owner is not required to sign a Personal Guarantee if the spouse has no ownership interest in the business entity. However, the spouse will be required to sign a Spouse Acknowledgement, by which the spouse acknowledges that we are relying on all assets of the guarantor, including jointly owned marital property, in accepting the guarantor's obligations. The Spouse Acknowledgment is attached to the Franchise Agreement. The spouse also agrees to be bound by the non-competition and non-disclosure restrictions, dispute resolution provisions, and governing law provision contained in the Franchise Agreement.

At our request, the Owners, Key Person, officers, directors, limited liability company managers and/or members and executives that we designate are required to sign a separate Confidentiality and Non-Compete Agreement (the form of which is attached to the Franchise Agreement). In addition, you and the Owners authorize us to run credit and background checks and to make inquiries of your bank, suppliers, and trade creditors concerning the Franchised Business.

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

You are required to offer and sell all products and services that we designate as required items for THE CLEANING AUTHORITY Franchised Businesses. You may also offer for sale any optional products and services that we have approved for sale in the Franchised Business. You may offer both Core Services and Non-Core Services to customers; however, any Non-Core Services must be provided under (or otherwise done in association with) the Marks and you must pay a royalty on all revenues associated with your provision of Non-Core Services. You are prohibited from offering any unapproved products or services without our prior written consent, and you must discontinue selling or offering for sale any products or services that we disapprove at any time.

We have the right to add products or services that you must offer. There are no limits on our right to do so. We will have the right to determine if services offered are appropriate for your Franchised Business.

*Customer Warranty*. If specified in the Brand Appendix and/or the Brand Standards Manual Suite, you are required to honor a customer warranty or satisfaction guarantee and comply with the requirements of the warranty/guarantee program. Currently, we require that you provide a satisfaction guarantee. We may change the required warranty at any time.

You may not offer products or services through any channel other than those we have expressly approved. If you request approval of any other distribution channel or type of outlet, we will consider the

factors we deem appropriate, which may include the period of time you have been operating the Franchised Business, your sales volume, whether you have met quality standards and other benchmarks, and other standards that we may determine. You do not receive the right to sell products to any vendor who would in turn sell to consumers.

In the marketing and operation of the Franchised Business, you must use only the customer contracts, waivers, and/or other forms we designate from time to time. We may provide templates or sample forms of such items, but it is your responsibility to have all items which are to be used with prospective and/or actual customers reviewed by an attorney licensed to practice law in the state(s) where the Franchised Business is operated, for compliance with all applicable state and local legal requirements. We do not represent that any contracts, waivers and/or other forms and/or materials we supply are in compliance with the laws of any particular state(s) or locality.

You must provide services for any Key Accounts with locations in your Territory (see Item 12). If you refuse to perform the required services, or if we determine that your Franchised Business is not qualified, interested, able or available to perform the services, you are required to allow us or another franchisee to service the Key Account.

You may not perform services or sell products related to the Franchised Business outside of your Territory without our prior written consent, which we may give and withdraw as we deem appropriate. We may condition approval on, among other things, you obtaining a separate phone number or other requirements. You may not solicit or advertise to customers outside of the Territory without our permission. "Solicit" includes, but is not limited to, solicitation in person, by telephone, by mail, through the internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. Please see Item 12 for further details.

You may be required to participate in programs relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, and other electronic money programs we prescribe for Franchised Businesses. Participation includes both issuing program benefits or credits and accepting them for payment by customers and may require you to purchase additional equipment. We will have the right to coordinate the crediting and debiting of funds among Franchised Businesses based on customer purchases and redemption of stored value. You are also required to participate in any customer loyalty programs we prescribe. You may not offer your own gift card, electronic money, or loyalty program for the Franchised Business without our prior written approval.

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

### THE FRANCHISE RELATIONSHIP

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

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Section 3 | 15 years |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| b. Renewal or extension of the term | Section 19 | You can renew the Franchise Agreement for one additional term of 10 years if you meet certain conditions. |
| c. Requirements for you to renew or extend | Section 19 | Conditions include: Written notice of your desire to renew; no default; good record of customer service and compliance with Brand Standards; on good terms with us, including no litigation or other adversarial legal proceedings with us; at our option, sign our then-current form of franchise agreement; pay renewal fee; sign general release of claims against us (Exhibit D to this disclosure document); meet our training requirements; demonstrate right to remain in the Approved Location for the renewal term; remodel, refurbish, or renovate your vehicles and premises; and update computer systems and vehicles. The successor Franchise Agreement may contain terms that are materially different from your expiring Franchise Agreement, such as different fee requirements. |
| d. Termination by you | Not applicable. | |
| e. Termination by us without cause | Not applicable. | |
| f. Termination by us with cause | Section 16 | See g. and h. below. In addition, your default under any other agreement that you or an affiliate has with us or our affiliates will constitute a default, subject to any applicable provisions for notice and cure set forth in the other agreement. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| g. "Cause" defined - defaults which can be cured | Sections 16.2, 16.3, 16.6 and 16.7 | You have seven days to cure non-payment and 30 days to cure other defaults, except for those described in h. below.<br><br>We have a "step in" right if you fail to cure a default within the applicable cure period (if any). This clause gives us the right, but not the obligation, to operate the Franchised Business on your behalf (or designate a third party to do so) until we determine that the default has been cured. If we exercise the step-in right, you must pay us (or our designee) a fee of up to $500 per day and reimburse us (or our designee) for all costs and overhead incurred in connection with the operation of your Franchised Business, including costs of personnel and their travel and lodging. In addition, you must indemnify us against any fines, claims, suits or proceedings which may arise out of our operation of the Franchised Business. The step-in right does not preclude our right to terminate the Franchise Agreement if your default is not cured.<br><br>We also have certain other pre-termination options if you are in default. They include: removing the Franchised Business from listings of our locations, prohibiting you from attending brand meetings, charging a default royalty rate (see Item 6), suspending access to the Call Center and technology platforms, and suspending other services. These actions are in addition to our right to terminate and/or bring a claim for damages. |
| h. "Cause" defined – non-curable defaults | Section 16.1 | Non-curable defaults include: failure to obtain an Approved Location or to open for business by deadline; failure to complete pre-opening training to our satisfaction; unauthorized closing; loss of premises or right to do business; refusing inspection or access to records; operating Competing Business (see q. below); unapproved transfer of ownership or business assets; disclosure of our confidential information; maintaining false books, underreporting sales, engaging in fraud or embezzlement, or misappropriating employee funds; conviction of felony or certain other crimes; insolvency, receivership, or dissolution of your business entity or loss of business license; if Franchisee or any Owner appears on a list of "blocked" persons under any anti-terrorism or similar law; breach of essential provision; failure to achieve minimum score on consecutive assessments; failure to maintain required insurance; failure to resolve customer complaint; failure to attend our annual convention for two consecutive years; failure to conduct background checks; repeated defaults even if cured. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| i. Your obligations on termination/non-renewal | Sections 16.8 and 17 | We have the option to assume your lease, buy the business assets, and take over your customer contracts. If we do not exercise these options, your obligations include ceasing to operate the Franchised Business, complete de-branding, deactivating or transferring domain name registrations and social media accounts for the Franchised Business, transferring your business telephone number and listings to us, paying all amounts due, returning all of our materials, and complying with confidentiality and non-compete restrictions, among others (also see o. and r. below). If termination was based on your default, you must also pay us liquidated damages (see Item 6). |
| j. Assignment of contract by us | Section 15.8 | No restriction on our right to assign. |
| k. "Transfer" by you – definition | Section 15.1 | Restrictions apply to transfers of any direct or indirect interest in the Franchise Agreement, in the assets of the Franchised Business, or in the equity ownership of Franchisee (if the Franchisee is a corporation or other entity). |
| l. Our approval of transfer by franchisee | Section 15.1 | We have the right to approve all transfers. |
| m. Conditions for our approval of transfer | Sections 15.2 and 15.3 | We can impose any reasonable conditions, including: no default exists; proposed transferee meets our qualifications, signs our then-current Franchise Agreement (and owners sign our personal guarantee), successfully completes training, makes arrangements to upgrade the business to our current standards, and, if a current franchisee at another location, is not in default and signs a general release; you pay transfer fee (plus any applicable third-party broker fee) and sign release of claims against us (Exhibit D to this disclosure document); price and terms do not harm viability of Franchised Business; and any financing is subordinated to obligations to us. |
| n. Our right of first refusal to acquire your business | Section 15.6 | We have the right to match any offer that would result in a change of control of the Franchised Business, except in the case of transfer to a spouse and/or adult children. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| o. Our option to purchase your business | Section 17.1 | No option except upon expiration or termination of the franchise. See i. above. |
| p. Your death or disability | Section 15.4 | Your executor or personal representative must apply to us within 3 months to transfer the interest of the deceased or incapacitated person to an approved party, and must complete transfer within 1 year. If the deceased or incapacitated person is the Key Person, we have the right to manage the Franchised Business until the transfer is completed. |
| q. Non-competition covenants during the term of the franchise | Section 14.1 | No involvement in "**Competing Business**," defined as a business that (i) provides residential, commercial, or other cleaning services or related services or goods, or (ii) grants franchises or licenses to others to operate such businesses, or (iii) is the same or substantially similar in nature or purpose to the Franchised Businesses (other than a "THE CLEANING AUTHORITY" business operated under a franchise agreement with us). |
| r. Non-competition covenants after the franchise is terminated or expires | Section 14.2 | No involvement with Competing Business for 2 years after expiration, termination, or approved transfer of the franchise. Applies if the Competing Business is located or serves customers (i) within the Territory, (ii) within forty (40) miles of the Territory, (iii) within any zip code where the Franchised Business served customers during the term, (iv) within the territory of any other then-existing Franchised Businesses plus the area formed by extending the boundaries of that territory ten (10) miles in all directions, or (v) within the territory serviced by any business operated under the Marks by us or our affiliates, plus the area formed by extending the boundaries of that territory ten (10) miles in all directions. |
| s. Modification of the agreement | Sections 22.12 and 22.13 | Modifications must be in writing signed by both parties, except: (a) we have the right to change the Brand Standards Manuals, and (b) all of your existing franchise agreements are amended by signing the Franchise Agreement for an additional location. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| t. Integration/merger clause | Section 22.12 | Only the terms of the Franchise Agreement are binding (subject to state law). However, this clause will not be treated as a disclaimer of our representations in this disclosure document.<br><br>Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Sections 23.2, 23.3 and 23.4 | With the exception of actions for provisional relief, to collect fees due under the Franchise Agreement, to seek an injunction, to protect our intellectual property, to terminate the Franchise Agreement for default, and to enforce post-term obligations, we, you, and the Owners must arbitrate all disputes in Columbia, Maryland. |
| v. Choice of forum | Section 23.6 | Subject to the arbitration requirement, you and the Owners must file any suit against us in federal court in the district where our headquarters is located at the time the suit is filed (currently Columbia, Maryland). We can sue you in federal or state court in the district where our headquarters is located at the time the suit is filed or where the Franchised Business is located. You and we both waive the right to trial by jury and the right to seek punitive damages.<br><br>All of these provisions are subject to state law in your state. |
| w. Choice of law | Section 23.1 | Maryland law applies (subject to state law). |

## ITEM 18
## PUBLIC FIGURES

We do not use any public figure to promote the sale of our franchise.

## ITEM 19
## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides that 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.

In this Item, we present historical information for franchised THE CLEANING AUTHORITY Franchised Businesses for the 2022 fiscal year and prior years. The explanatory notes following the tables are an important part of the information presented. The data in this Item from the period prior to May 14, 2022, was collected by our predecessor, TCA.

### TABLE 1
### Franchised Businesses
### Operating from December 31, 2021 to December 31, 2022

As of the end of fiscal year 2022, there were 216 Franchised Businesses operating. Table 1 provides information for the 199 Enterprise Market Franchised Businesses (the "**Reporting Businesses**") that were operating for the entire 2022 fiscal year. We excluded 7 Hometown Market Franchised Businesses, 10 Franchised Businesses that opened during the fiscal year, and 3 Franchised Businesses that closed during the fiscal year. Table 1 presents information based upon the top, middle and lower performing Reporting Businesses. The top, middle, and lower performing Reporting Businesses were determined by comparing the actual Gross Revenue achieved by each Reporting Business during 2022.

| Enterprise | | | |
|---|---|---|---|
| **2022** | **Top Third Reporting Businesses by Gross Revenue** | **Middle Third Reporting Businesses by Gross Revenue** | **Lower Third Reporting Businesses by Gross Revenue** |
| Total Number of Reporting Businesses | 67 | 66 | 66 |
| Total Actual Gross Revenue (1) | $153,036,644 | $78,938,272 | $42,900,758 |
| Average Gross Revenue | $2,284,129 | $1,196,034 | $650,011 |
| Number Above Average | 26 | 33 | 41 |
| Percentage Above Average | 39% | 50% | 62% |
| Median Gross Revenue | $2,112,777 | $1,194,805 | $693,279 |
| Total Customers | 48,959 | 26,203 | 14,543 |
| Average Price Per Clean (2) | $153.03 | $148.56 | $148.99 |
| Total Number of Cleans | 1,000,063 | 531,356 | 287,943 |
| Average Cost of Goods Sold (3) | 63% | 63% | 65% |

| Enterprise | | | |
|---|---|---|---|
| **2022** | **Top Third Reporting Businesses by Gross Revenue** | **Middle Third Reporting Businesses by Gross Revenue** | **Lower Third Reporting Businesses by Gross Revenue** |
| Average Weekly Customer Loss (4) | 0.95% | 1.12% | 1.39% |
| Total Estimate Leads (5) | 101,059 | 72,588 | 48,437 |
| Total Appointment Leads | 32,074 | 22,832 | 17,230 |
| Percentage of Leads resulting in Appointments | 32% | 31% | 36% |
| Total Sales | 25,667 | 17,084 | 12,400 |
| Estimated Total Number of Employees | 3,037 | 1,738 | 1,052 |

**Notes:**

(1) The Top Third Reporting Businesses had actual Gross Revenue ranging from $1,545,540 to $4,408,109 the Middle Third Reporting Businesses had actual Gross Revenue ranging from $924,274 to $1,543,799; and the Lower Third Reporting Businesses had actual Gross Revenue ranging from $137,711 to $923,145. The actual Gross Revenue of all Reporting Businesses ranged from $137,711 to $4,408,109.

The term "**Gross Revenue**" is generally defined in the applicable forms of franchise agreement as all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter or other value and regardless of collection in the case of credit and even if you have contracted with third parties to provide certain of the services, less any bona fide refunds given to customers in the ordinary course of business. Gross Revenue also includes amounts billed to insurance or government programs. Further, Gross Revenue includes all revenue related to the sale of any products and the performance of any services (whether or not the products or services are approved by us) that are provided using any portion of the Franchised Business in any manner, including the Marks (such as service vehicles, invoices, and uniforms bearing the Marks), the System, Confidential Information, any of the employees of the Franchised Business, or the telephone number of the Franchised Business. Gross Revenue also includes any proceeds of business interruption insurance. Gross Revenue is not reduced on account of any fees or commissions you pay to third parties who refer customers. The Gross Revenue data for a franchisee may include sales in "open" Territory, that is, territory that had not been awarded to a franchisee.

(2) Of the 67 Top Third Reporting Businesses, 34 (51%) exceeded the Average Price per Clean of $153.03; of the 66 Middle Third Reporting Businesses, 32 (48%) exceeded the Average Price per Clean of $148.53; of the 66 Lower Third Reporting Businesses, 29 (44%) exceeded the Average Price per Clean of $148.99.

(3) Of the 67 Top Third Reporting Businesses, 30 (45%) exceeded the Average Cost of Goods Sold of 63%; of the 66 Middle Third Franchised Businesses, 34 (52%) exceeded the Average Cost of Goods Sold of 63%; of the 66 Lower Third Reporting Businesses, 32 (48%) exceeded the Average Cost of

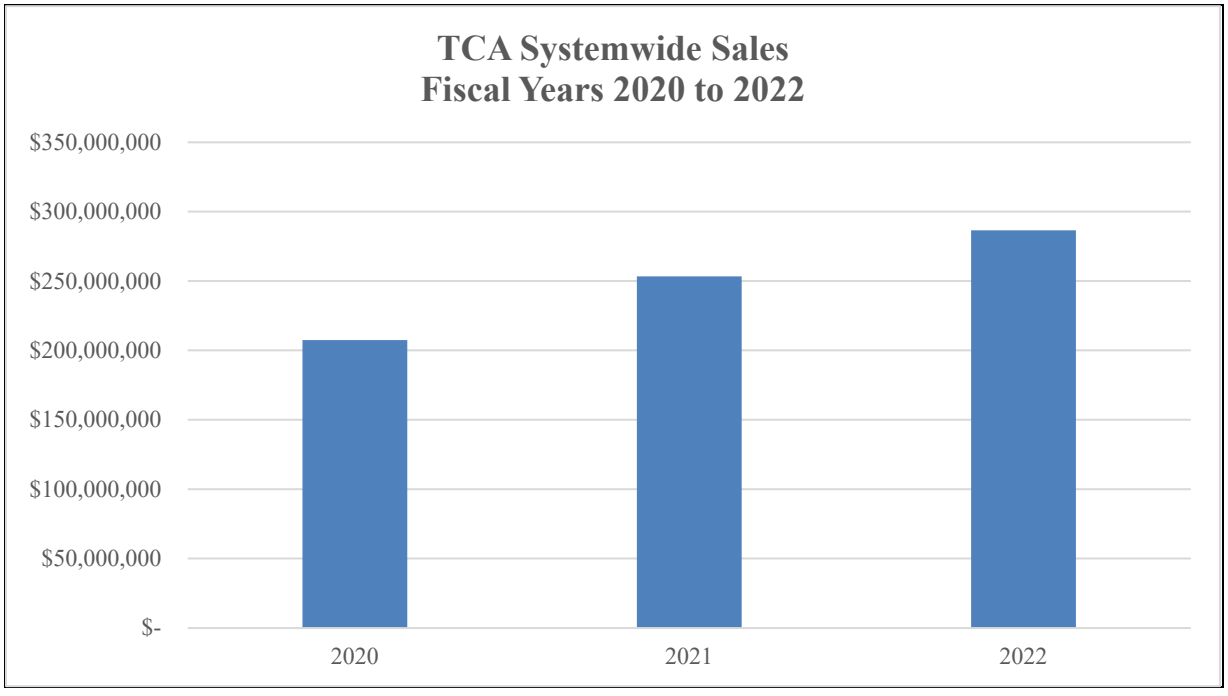
Goods Sold of 65%. COGS generally includes expenses for direct labor (but not management salaries or owner draws because these amounts are part of overhead expenses), payroll taxes, workers' compensation and general liability insurance, cleaning supplies, mileage, and royalties payable to us from the Franchised Businesses. COGS does not include overhead expenses such as advertising and Local Marketing requirements, rent expense (approximately $1,200 to $2,000 per month), telephone expenses including mobile phone and internet (approximately $250 to $350 per month), manager salaries or owner draws, employee advertising (approximately $300 to $500 per month), and the like. In addition to the costs disclosed in this Table, you will incur a weekly Local Marketing Spend as disclosed in Items 6, 7, 8, and 11.

(4) Of the 67 Top Third Reporting Businesses, 35 (52%) exceeded the Average Weekly Customer Loss of 0.95%; of the 66 Middle Third Reporting Businesses, 31 (47%) exceeded the Average Weekly Customer Loss of 1.12%; of the 66 Lower Third Reporting Businesses, 30 (45%) exceeded the Average Weekly Customer Loss of 1.39%. "Average Weekly Customer Loss" is defined as those customers that cancelled a recurring service.

(5) The data reported in Table 1 is based on information submitted to us by Reporting Businesses through TCA IQ 2022 fiscal year.

**TABLE 2**

Table 3 sets forth the aggregate Gross Revenue ("**Systemwide Sales**") reported by all THE CLEANING AUTHORITY franchisees whose THE CLEANING AUTHORITY businesses were operational for any part (even as little as one month if the franchisee completed initial training in December of their initial year). See Note 3 to Table 1 for the definition of "Gross Revenue."




* * *

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.**

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

The financial information we utilized in preparing the preceding financial performance representations was based entirely upon information reported to us by franchisees. No independent accountant or auditing firm has audited, reviewed or otherwise evaluated this information for accuracy or expressed an opinion with regard to its content or form.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Heather McCleod, The Cleaning Authority Franchising SPE LLC, 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 and (410) 740-1900, the Federal Trade Commission, and the appropriate state regulatory agencies.

[*Remainder of page intentionally left blank*]

## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

**TABLE 1**
**Systemwide Outlet Summary**
**For Years 2020 to 2022[(1) (2) (3) (4) (5)]**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2020 | 218 | 208 | -10 |
| | 2021 | 208 | 209 | +1 |
| | 2022 | 209 | 216 | +7 |
| Company Owned | 2020 | 3 | 3 | 0 |
| | 2021 | 3 | 3 | 0 |
| | 2022 | 3 | 3 | 0 |
| **TOTALS** | **2020** | **221** | **211** | **-10** |
| | **2021** | **211** | **212** | **1** |
| | **2022** | **212** | **219** | **7** |

**Notes to all Item 20 Tables:**

1. Our fiscal year ends December 31. The figures in the tables are as of our fiscal year end each year.

2. The figures are for the number of territories in operation at year-end. Each franchise territory has a separate Franchise Agreement.

3. As of December 31, 2022, there were 216 franchisees in operation; the number of territories in operation for each franchisee is shown in Exhibit F. See Table 5 below regarding territories that were not yet in operation under Franchise Agreements that had been signed as of year-end.

4. As described in Item 1, we became the franchisor of THE CLEANING AUTHORITY system in May 2021. For each Table in this Item 20, the information relating to the period before May 2021 is from our predecessor.

**TABLE 2**
**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)**
**For Years 2020 to 2022[(1)]**

| State | Year | Number of Transfers |
|---|---|---|
| Arizona | 2020 | 0 |
| | 2021 | 1 |
| | 2022 | 0 |
| Colorado | 2020 | 2 |
| | 2021 | 0 |
| | 2022 | 0 |
| Florida | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 3 |
| Georgia | 2020 | 1 |
| | 2021 | 2 |
| | 2022 | 0 |
| Illinois | 2020 | 2 |
| | 2021 | 0 |
| | 2022 | 1 |
| Indiana | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 1 |
| Maine | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 0 |
| Maryland | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| Michigan | 2020 | 1 |
| | 2021 | 3 |
| | 2022 | 0 |
| Missouri | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| Nevada | 2020 | 0 |
| | 2021 | 1 |
| | 2022 | 0 |

| State | Year | Number of Transfers |
|---|---|---|
| New Jersey | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 0 |
| North Carolina | 2020 | 0 |
| | 2021 | 2 |
| | 2022 | 2 |
| Ohio | 2020 | 0 |
| | 2021 | 2 |
| | 2022 | 0 |
| Pennsylvania | 2020 | 0 |
| | 2021 | 2 |
| | 2022 | 0 |
| South Carolina | 2020 | 0 |
| | 2021 | 2 |
| | 2022 | 0 |
| Tennessee | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| Texas | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 0 |
| Utah | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 0 |
| Virginia | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| Washington | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 0 |
| **TOTALS** | **2020** | **12** |
| | **2021** | **15** |
| | **2022** | **11** |

**Notes:**

1. States not listed had no transfers for years 2020, 2021, or 2022.

**TABLE 3**
**Status of Franchised Outlets For Years 2020 to 2022[(1) (2)]**

| State | Year | Outlets at Start of Year | Outlets Opened | Termin-ations | Non-Renewals | Reacquired by Company | Ceased Operations For Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| Alabama | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Arizona | 2020 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2021 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Arkansas | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| California | 2020 | 12 | 0 | 1 | 0 | 0 | 1 | 10 |
| | 2021 | 10 | 3 | 0 | 0 | 0 | 1 | 12 |
| | 2022 | 12 | 0 | 1 | 0 | 0 | 0 | 11 |
| Colorado | 2020 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2021 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| Connecticut | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Delaware | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Florida | 2020 | 21 | 0 | 0 | 0 | 0 | 1 | 20 |
| | 2021 | 20 | 1 | 0 | 0 | 0 | 0 | 21 |
| | 2022 | 21 | 2 | 1 | 0 | 0 | 0 | 22 |
| Georgia | 2020 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | 2021 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | 2022 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |

| State | Year | Outlets at Start of Year | Outlets Opened | Termin-ations | Non-Renewals | Reacquired by Company | Ceased Operations For Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| Idaho | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Illinois | 2020 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2021 | 8 | 0 | 0 | 0 | 0 | 1 | 7 |
| | 2022 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| Indiana | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Iowa | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Kansas | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Kentucky | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Louisiana | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Maine | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Maryland | 2020 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2021 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| Massachusetts | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |

| State | Year | Outlets at Start of Year | Outlets Opened | Termin-ations | Non-Renewals | Reacquired by Company | Ceased Operations For Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| Michigan | 2020 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| | 2021 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| | 2022 | 12 | 0 | 0 | 0 | 0 | 0 | 12 |
| Minnesota | 2020 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Missouri | 2020 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2021 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Nebraska | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Nevada | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| New Jersey | 2020 | 10 | 0 | 1 | 0 | 0 | 2 | 7 |
| | 2021 | 7 | 0 | 1 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| New Mexico | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New York | 2020 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 2 | 0 | 0 | 0 | 0 | 6 |
| North Carolina | 2020 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2021 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2022 | 8 | 1 | 0 | 0 | 0 | 0 | 9 |
| Ohio | 2020 | 11 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2021 | 11 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2022 | 11 | 3 | 0 | 0 | 0 | 0 | 14 |

| State | Year | Outlets at Start of Year | Outlets Opened | Termin-ations | Non-Renewals | Reacquired by Company | Ceased Operations For Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| Oklahoma | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Oregon | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Pennsylvania | 2020 | 10 | 0 | 0 | 0 | 0 | 2 | 8 |
| | 2021 | 8 | 1 | 1 | 0 | 0 | 0 | 8 |
| | 2022 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| Rhode Island | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| South Carolina | 2020 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Tennessee | 2020 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2021 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| Texas | 2020 | 22 | 0 | 0 | 0 | 0 | 2 | 20 |
| | 2021 | 20 | 0 | 0 | 0 | 0 | 2 | 18 |
| | 2022 | 18 | 1 | 0 | 0 | 0 | 0 | 19 |
| Utah | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Virginia | 2020 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2021 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| | 2022 | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| Washington | 2020 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2021 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 0 | 1 | 0 | 0 | 0 | 5 |

| State | Year | Outlets at Start of Year | Outlets Opened | Termin-ations | Non-Renewals | Reacquired by Company | Ceased Operations For Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| Wisconsin | 2020 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2021 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| **TOTALS** | **2020** | **218** | **0** | **2** | **0** | **0** | **8** | **208** |
| | **2021** | **208** | **7** | **2** | **0** | **0** | **4** | **209** |
| | **2022** | **209** | **10** | **3** | **0** | **0** | **0** | **216** |

**Notes:**

1. States not listed had no franchisee-owned outlet activity for years 2020, 2021, or 2022.

2. The "Outlets Opened" column in the table does not include outlets shown in the column headed "Franchise Agreements Signed But Outlet Not Opened" in Table 5 below. The latter are not included in Table 3 until the year the outlet opens.

**TABLE 4**
**Status of Company-Owned Outlets For Years 2020 to 2022[(1)]**

| State | Year | Outlets at the Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Maryland | 2020 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 3 |
| **TOTALS** | **2020** | **3** | **0** | **0** | **0** | **0** | **3** |
| | **2021** | **3** | **0** | **0** | **0** | **0** | **3** |
| | **2022** | **3** | **0** | **0** | **0** | **0** | **3** |

**Notes:**

1. States not listed had no Company-Owned Outlets for years 2020, 2021 or 2022.

**TABLE 5**
**Projected Openings as of December 31, 2022**

| State | Franchise Agreements Signed But Outlet Not Open [(1)] | Projected New Franchised Outlet in the Next Fiscal Year [(2)] | Projected New Company- Owned Outlets in the Next Fiscal Year |
|---|---|---|---|
| Alabama | 1 | 1 | 0 |
| California | 0 | 2 | 0 |
| Florida | 6 | 9 | 0 |
| Illinois | 1 | 2 | 0 |
| Indiana | 1 | 1 | 0 |
| Massachusetts | 0 | 1 | 0 |
| Missouri | 1 | 1 | 0 |
| New Jersey | 0 | 2 | 0 |
| New York | 0 | 2 | 0 |
| Oregon | 1 | 1 | 0 |
| Pennsylvania | 0 | 1 | 0 |
| Texas | 3 | 6 | 0 |
| **TOTALS** | **14** | **29** | **0** |

**Notes**:

1. This column refers to the number of territories that franchisees have committed to open, but have not yet opened, under Franchise Agreements signed on or before December 31, 2022.

2. This column refers to the number of territories that we expect to be covered by new Franchise Agreements signed in 2023.

Attached as Exhibit F is a list of our franchise owners, the number of territories each owns and the addresses and telephone numbers of their business offices as of December 31, 2022.

Attached as Exhibit G is a list of the franchisees who (i) had a franchise terminated, canceled, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement in 2022; (ii) had a franchise not renewed during 2022; or (iii) transferred ownership of the Franchised Business during 2022. There are no franchisees who have not communicated with us within the ten weeks prior to the issuance date of this disclosure document.

During our last three fiscal years, current and former franchisees have signed confidentiality clauses. In some instances, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with us and our predecessor. 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.

THE CLEANING AUTHORITY Franchisee Advisory Council is sponsored by us, but its members are elected by franchisees. You can reach the organization at 7120 Samuel Morse Drive, Suite 300, Columbia,

Maryland 21046, (410) 740-1900, and through Janel Keyser (FAC Chairperson) at *fac@TheCleaningAuthority.com*.

The following independent franchisee organization has asked to be included in this Disclosure Document: Independent Association of the Cleaning Authority Franchisees (TCAF). Contact information: Independent Association of the Cleaning Authority Franchisees, American Association of Franchisees & Dealers, Post Office Box 10158, Palm Desert, California 92255-1058.

## ITEM 21
## FINANCIAL STATEMENTS

Exhibit I to this disclosure document contains the following:

1. The audited consolidated financial statements of AB Assetco LLC ("**AB Assetco**"), our parent company, (i) as of December 31, 2022 and for the year then ended, and (ii) as of December 31, 2021 and for the period from May 14, 2021 to December 31, 2021. Because AB Assetco was organized on March 24, 2021, it does not have available and cannot yet include the 3 full years of audited financial statements required by the franchise laws.

2. A Guarantee of Performance of our obligations by AB Assetco. Our separate financial statements are not included in this disclosure document. Should we fail to fulfill our duties and obligations to our franchisees under their franchise agreements, AB Assetco absolutely and unconditionally guarantees to assume those duties and obligations.

As described in Item 1, AB Inc. provides support and services to THE CLEANING AUTHORITY franchisees under a management agreement with us. AB Inc. was formerly known as Villa BidCo, Inc. until the company changed its name on May 17, 2021. We have included in Exhibit I the audited consolidated financial statements of AB Inc. and subsidiaries as of December 31, 2022, 2021 and 2020 and for the years then ended, which comprise the consolidated balance sheets as of December 31, 2022, 2021, and 2020 and the related consolidated statements of comprehensive loss, of changes in stockholder's equity and of cash flows for the years then ended. These financial statements are included for disclosure purposes only; AB Inc. is not a party to the Franchise Agreement we sign with franchisees, nor does it guarantee our obligations under the Franchise Agreement we sign with franchisees.

[*Remainder of page intentionally left blank*]

## ITEM 22
## CONTRACTS

The following agreements are attached to this disclosure document:

| | |
|---|---|
| Exhibit A | Franchise Agreement (including the following attachments: Data Sheet, Brand Appendix, Personal Guarantee, Local Marketing Services Agreement, TCA IQ User Agreement, Confidentiality and Non-Compete Agreement, Telephone Number and Internet Agreement, and EFT Agreement) |
| Exhibit B | Promissory Note, Guaranty and Security Agreement |
| Exhibit C | Renewal Addendum |
| Exhibit D | Sample of General Release |
| Exhibit K | State-Specific Disclosures and Contract Addenda |

Except in certain states, we also require that you fill out a Questionnaire before signing an agreement with us. The Questionnaire is in Exhibit E.

## ITEM 23
## RECEIPTS

The last two pages of this disclosure document are receipt pages. Please sign, date, and detach the last two pages and return one signed copy to us.

**EXHIBIT A**

**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT**

**[Franchise ID]**

| | |
|---|---|
| Franchisor: | The Cleaning Authority Franchising SPE LLC |
| Agreement Date: | |
| Full Legal Name of Franchisee: | |
| Individual Owner Name(s): | |
| Approved Location: | |

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PERSONAL GUARANTEE AND SPOUSE ACKNOWLEDGMENT

APPENDIX A – DATA SHEET

APPENDIX B – BRAND APPENDIX

APPENDIX C – CONFIDENTIALITY AND NON-COMPETE AGREEMENT

APPENDIX D – TELEPHONE NUMBER AND INTERNET AGREEMENT

APPENDIX E – ELECTRONIC FUND TRANSFER AUTHORIZATION FORM

# FRANCHISE AGREEMENT

This Agreement is between the company identified as "Franchisor" on the cover page (**"we"**, **"us"** or **"Franchisor"**), and the individual or company identified as "Franchisee" on the cover page (**"you"** or **"Franchisee"**). If Franchisee is a company, the term **"Owners"** means the individual(s) identified on the Data Sheet as the owners of the Franchisee, plus any other individual(s) we may approve in the future to hold an interest in the Franchisee.

## 1. DEFINITIONS

The terms defined in this Section 1 have the meanings set forth below. Other capitalized terms used in this Agreement are defined where they first appear within the text.

**1.1. "Agreement Date"** means the Agreement Date shown on the cover page of this Agreement.

**1.2. "Approved Location"** means the street address or specific site that we have approved for your business premises, as shown on the cover page of this Agreement. If the Approved Location has not been determined when we sign this Agreement, you are required to obtain our approval of a location within three (3) months after signing this Agreement. Once we approve the location, we will insert the street address or specific site on the cover page of this Agreement or otherwise confirm the approved address to you in writing.

**1.3. "Brand"** means the brand identified on the cover page of this Agreement.

**1.4. "Brand Appendix"** means Appendix B to this Agreement, which sets out certain business terms specific to the Brand.

**1.5. "Brand Fund"** means the fund to which you will contribute to support development and recognition of the Brand, as more fully described in Section 10.2, and may be referred to by names other than the "Brand Fund."

**1.6. "Brand Standards"** means our required and recommended specifications, standards, policies and procedures for products, services, image, and operations of Franchised Businesses.

**1.7. "Brand Standards Manuals"** means, collectively, the materials and content we have developed relating to the establishment and operation of Franchised Businesses, consisting of one or more manuals, handbooks, and training materials regardless of format, including electronic files, video or audio recordings, and other media or otherwise communicated in writing to you, all of which we can modify, replace and supplement. The Brand Standards Manuals are sometimes referred to as the "Operations Manuals."

**1.8. "Confidential Information"** means all knowledge and data not generally known to the public, whether or not constituting trade secrets, that we disclose to you and/or the Owners or that you obtain by virtue of this Agreement or any activities under this Agreement, including but not limited to: (i) methods, techniques, specifications, standards, policies, procedures, and design and layout plans relating to the operation of Franchised Businesses; (ii) future marketing plans and promotional programs for the Brand; (iii) customer data and other information concerning consumer preferences; (iv) inventory requirements and specifications; (v) sales, operating results, financial performance and other financial data of Franchised Businesses; (vi) the contents of the Brand Standards Manuals and our training programs; (vii) vendor lists, terms of purchase, and other information concerning the selection and sourcing of products, services, technology, equipment and supplies; (viii) marketing studies, surveys, and cost studies; (ix) research and development, test results, and feasibility studies; and (x) business plans and non-public financial information of or about us and our affiliates.

**1.9. "Data Sheet"** means Appendix A to this Agreement, which collects certain details specific to Franchisee and this Agreement.

**1.10. "Designated Vendor"** means a particular manufacturer, wholesaler, distributor or other source that we designate for particular products or services, which may be a third party, us, or our affiliate.

**1.11. "Equipment Package"** means the list of equipment and accessories that we prescribe for Franchised Businesses as of the time you are preparing to open.

**1.12. "Franchised Business"** means the business that you operate under this Agreement at and from the Approved Location. "Franchised Businesses" means your Franchised Business plus all other businesses that we have authorized to operate under the Marks and System by means of a valid franchise agreement.

**1.13. "Gross Revenue"** means all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter or other value and regardless of collection in the case of credit and even if you have contracted with third parties to provide certain of the services, less any bona fide refunds given to customers in the ordinary course of business. Gross Revenue also includes amounts billed to insurance or government programs. You agree that "Gross Revenue" includes all revenue related to the sale of any products and the performance of any services (whether or not the products or services are approved by Franchisor) that are provided using any portion of the Franchised Business in any manner, including the Marks (such as service vehicles, invoices, and uniforms bearing the Marks), the System, Confidential Information, any of the employees of the Franchised Business, or the telephone number of the Franchised Business. "Gross Revenue" also includes any proceeds of business interruption insurance. "Gross Revenue" shall not be reduced on account of any fees or commissions you pay to third parties who refer customers. "Gross Revenue" does not include any sales taxes or other taxes you collect from customers and pay directly to the appropriate taxing authority. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from "Gross Revenue" as circumstances, business practices, and technology change.

**1.14. "Improvement"** means any change, idea, innovation, concept (including any advertising slogan or idea), product, process, or improvement that may enhance or improve the System.

**1.15. "Key Person"** means the individual who is responsible for the day-to-day operational performance of the Franchised Business and who has the authority to bind Franchisee in all decisions regarding the Franchised Business. The initial Key Person is named in the Data Sheet.

**1.16. "Marks"** means the logo shown on the cover page of this Agreement and all other trademarks, service marks, logos, and commercial symbols that we expressly designate for use in connection with the System.

**1.17. "Opening Deadline"** means the date specified in the Data Sheet by which you are required to have the Franchised Business open and operating.

**1.18. "Proprietary Products"** means products bearing the Marks and/or prepared using formulations and/or methods of preparation developed by or for Franchisor. They may include apparel, accessories, and other products sold or used in the Franchised Business. We have the right to modify, discontinue, substitute, and/or add items to the Proprietary Products from time to time in our sole discretion.

**1.19. "System"** means the know-how and system of operation developed for the Brand and owned by Franchisor. The distinctive elements of the System include, but are not limited to: the products and services offered; customer service standards; the warranty program, if applicable; standards and specifications for equipment, technology, supplies, and operations; our advertising and promotional programs and marketing

techniques; the exterior and interior design, décor, color scheme, fixtures, and furnishings of the business premises; and the accumulated experience reflected in our Brand Standards Manuals, training program, and instructional materials.

**1.20. "Territory"** means the geographic area defined in the Data Sheet and/or in a map attached to the Data Sheet.

## 2. FRANCHISE GRANT AND TERRITORIAL PROTECTION

**2.1.** Right Granted. We grant you the right, and you undertake the obligation, on the terms and conditions of this Agreement, to establish and operate one (1) Franchised Business at the Approved Location only, and to use the Marks and the System only in connection with the Franchised Business, and only within the Territory. You agree to operate the Franchised Business for the full Agreement term specified in Section 3.

**2.2.** Territorial Protection. While this Agreement is in effect, and provided that you are not in default beyond any applicable cure period, we will not operate a business under the Marks and the System in the Territory or authorize others to operate Franchised Businesses within the Territory, except as permitted under Sections 2.3, 2.4 and 2.5 below. This does not prohibit us from advertising or soliciting employees or independent contractors in your Territory.

**2.3.** Rights Reserved. We and our affiliates retain all rights not expressly granted to you, including the rights (despite anything to the contrary in Section 2.2 and regardless of the proximity to or effect on the Franchised Business):

**2.3.1** To establish, operate, franchise, and license others to operate businesses under the Marks at any location outside of the Territory;

**2.3.2** To operate a business under the Marks inside the Territory if: (i) Franchisor (or its affiliate) is operating a business under the Marks in the Territory as of the Agreement Date; or (ii) Franchisor has notified Franchisee before Franchisee signed this Agreement that Franchisor (or its affiliate) intends to operate a business under the Marks in the Territory;

**2.3.3** To use the Marks in other lines of business, anywhere in the world;

**2.3.4** To establish and operate, and to grant others the right to establish and operate, similar businesses or any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Territory, under trademarks or service marks other than the Marks.

**2.3.5** To develop, manufacture, have manufactured, advertise, market, sell and distribute, at retail or wholesale, and license others to manufacture, sell or distribute, goods or services that are identical or similar to and/or competitive with those provided at the Franchised Business, whether under the Marks or any other name or mark, through dissimilar channels of distribution, including but not limited to through the Internet, mobile applications, telemarketing, retail stores, and wholesale clubs, or other distribution outlets (other than Franchised Businesses) both inside and outside the Territory;

**2.3.6** To establish and operate, and to grant others the right to operate, businesses offering dissimilar products and services both inside and outside the Territory under the Marks; and

**2.3.7** To acquire, be acquired by, or merge with other brands or outlets, even if the concepts or outlets are similar to the business operated under the System, and even if they have locations in the Territory. We will also have the right, in our sole discretion, to convert one or more outlets of the acquired, acquiring or merged brand to a Franchised Business within the Territory.

**2.4.** Activities Outside of the Territory. You may not perform services or sell products related to the Franchised Business outside of the Territory without our prior written consent, which we may give and withdraw as we deem appropriate, and which we may condition on obtaining a separate phone number or other requirements. You may not solicit or advertise to customers outside of the Territory without our permission. **"Solicit"** includes, but is not limited to, solicitation in person, by telephone, by mail, through the Internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. If any solicitation of customers within the Territory is in media that will or may reach persons outside of the Territory, you are required to notify us in advance and obtain our consent. If you receive a request for services or products from outside the Territory, you are required to refer that request to the Franchised Business located in the applicable territory (or to Franchisor or its affiliate, if we have not assigned the applicable territory to a Franchised Business). Notwithstanding the foregoing, under certain limited circumstances, Franchisee may process a request from outside of the Territory if the requested service is permitted under our policies as set forth in the Brand Standards Manuals or otherwise designated by Franchisor. If Franchisor permits Franchisee to advertise, solicit, service or sell in areas outside of the Territory that are not serviced by another Franchised Business or by Franchisor or its affiliate, Franchisee is required to comply with all of the conditions and other requirements that we may from time to time specify in the Brand Standards Manuals or otherwise in writing with respect to such activities. We may at any time condition your continued out-of-Territory sales and services on your agreement to purchase the franchise rights for the territory in which the sales and services are being performed. At any time upon our demand or upon notice from us that the territory in question has been assigned to another Franchised Business, Franchisee agrees to immediately cease all activities in that territory and to comply with our procedures for the transition of customer accounts for that territory. Under no circumstances will we be liable to you for violations by other Franchised Businesses of our policies on out-of-Territory sales and services.

**2.5.** Key Accounts. Franchisor may from time to time enter into agreements to provide services to customers as part of a national, regional or key account program ("**Key Accounts**", sometimes also referred to as "**National Accounts**") at locations which include locations within the Territory. You agree to accept and perform the terms of such agreements (including, without limitation, special pricing, payment terms, timing of services, central invoicing) in respect of locations within the Territory. If you refuse to perform the required services or we determine that the Franchised Business is not qualified, interested, able or available to perform the services, you are required to allow either Franchisor's employee or another franchisee to enter the Territory to perform the required services. In the case of an agreement under which the customer will pay a fixed amount for services at all locations listed in the agreement, we may allocate the fixed amount among the businesses performing the services.

**2.6.** No Other Sales Channels. You may not offer products or services through any channel other than those we have expressly approved. If you request approval of any other distribution channel or type of outlet, we will consider the factors we deem appropriate, which may include the period of time you have been operating the Franchised Business, your sales volume, whether you have met quality standards and other benchmarks, and other standards that we may determine. This Agreement does not license you to sell products to any vendor who would in turn sell to consumers. This Agreement does not restrict Franchisor or its affiliates from engaging in, and does not grant you any rights to participate in, any other business concepts of Franchisor or its affiliates other than the Franchised Business.

**2.7.** Relocation. You may not relocate the Franchised Business without our prior written consent. Any relocation must be to a location within the Territory. Unless otherwise agreed in writing, relocation of the Franchised Business does not change the Territory.

## 3. AGREEMENT TERM

This Agreement will expire on the anniversary of the Agreement Date specified in the Brand Appendix (the "**Expiration Date**"). You will have an opportunity to renew the franchise rights when the term expires, subject to the terms of Section 19 and provided that you meet the conditions in that Section.

## 4. PRE-OPENING

**4.1.** Preparation for Opening. You are required to prepare your Franchised Business and business premises as necessary to conform to the Brand Standards. The Brand Standards may require expenditures for, among other things, structural changes and modification of the premises; new or modified service vehicles, equipment, signs, fixtures and furnishings; interior and exterior remodeling and redecoration; installation of new technology and/or additions and upgrades to existing technology; and resurfacing of parking areas. As applicable, and as may be designated by Franchisor, you are required to order the Equipment Package and all other technology equipment, signs, fixtures, furnishings, inventory, and supplies from a Designated Vendor. If required by the Brand Appendix, you are required to pay us specified fees for outfitting the Franchised Business. You are required to notify us of the anticipated completion date and provide updates as requested during the build-out process. During the pre-opening period, you are required to permit our representatives to inspect the premises at reasonable times. We may specify further details of the build-out process in the Brand Standards Manuals.

**4.2.** Permits. You are required to obtain all zoning classifications, permits, and clearances (including, as applicable, construction permits, certificates of occupancy, health permits, environmental permits, sign permits, and mall or strip center clearances) that may be required by federal, state, or local law or your landlord for the Franchised Business. You have sole responsibility for operating your Franchised Business in compliance with all permits and laws.

**4.3.** Pre-Opening Marketing. You are required to conduct pre-opening marketing, as specified in Section 10.3, to attract an initial customer base for the Franchised Business.

**4.4.** Approval to Open. You agree not to open the Franchised Business for business until we notify you that: (1) all of your pre-opening obligations have been fulfilled; (2) pre-opening training of your personnel has been completed as required by Section 5; and (3) we have been furnished with copies of all certificates of insurance required by Section 9.1.

**4.5.** Opening Deadline. You are required to open the Franchised Business to the public by the Opening Deadline. If you request an extension of the Opening Deadline, we have complete discretion whether to give an extension. If we agree to an extension, we have the right to charge you an extension fee of up to $1,000 per month of extension.

**4.6.** Opening Support. We will provide such opening support and assistance for the Franchised Business as we deem appropriate, at the time(s) and in the manner we determine. If you request opening support beyond what we customarily furnish to Franchised Businesses, and if we agree to furnish such additional support, then we will have the right to impose a fee, plus expenses, for providing the agreed additional support.

## 5. TRAINING

**5.1.** Initial Training. Franchisor will offer, at the time(s) and location(s) selected by Franchisor, a pre-opening training program to Franchisee and to those employees of Franchisee whom Franchisor deems appropriate. The individuals that we designate are required to successfully complete the pre-opening training. We have the right to vary the duration and content of initial training based on the trainee's prior experience in similar businesses. We alone have the right to judge whether a person has successfully completed the training program. Successful completion may require passing tests to establish proficiency in the delivery of services, use of technology and software applications, and other areas we designate. We will have the right to terminate

this Agreement under Section 16.1 if, at any time during the pre-opening training program, we conclude in our sole judgment that any person required to attend the pre-opening training program does not possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or this Agreement.

**5.2.** Additional Training. After the Franchised Business opens for business, we will make available, at the time(s) and location(s) we designate, such other required and optional training programs as we deem necessary and appropriate. For training that we designate as required, the individuals that we designate are required to successfully complete the training.

**5.3.** Training Methods. We have the right to provide training programs in person, by video, via the Internet, or by other means, as we determine, and the training may be performed by us, our affiliates, or third parties.

**5.4.** Training Fees. We may charge a training fee: (a) for additional trainees that you request in excess of the maximum number we designate for a training program; (b) if we require remedial training as a result of your failure to comply with our Brand Standards; (c) for re-training persons who are repeating a training program, or their substitutes; and (d) for training programs that we make optional for franchisees.

**5.5.** Travel Expenses. For all training, including initial training, you are responsible for all travel expenses, living expenses, wages, and other expenses incurred by your trainees. If we conduct training at any location other than our headquarters, you may be required to pay the reasonable travel, meal and lodging expenses of our trainer(s).

**5.6.** Training Assistance. After the Franchised Business opens, you agree to give us reasonable assistance in training or assisting other franchisees of the Brand. We will reimburse you for your reasonable costs and expenses in providing such assistance.

**5.7.** Employee Training. Except for the training in Sections 5.1 and 5.2, you are responsible for all employee training for the Franchised Business.

**5.8.** Brand Conferences and Conventions; Non-Attendance Fee. The Key Person and/or Owners of Franchisee, as designated by us, are required to attend an annual convention and regional conferences of franchise owners, if called by us. Franchisee is responsible for the costs of travel and accommodations of its attendees. Franchisor reserves the right to charge a fee for each conference. If none of the designated Franchisee representatives attend the annual convention, we may charge Franchisee a non-attendance fee of $2,000. If the Key Person, Owners, and/or employees of Franchisee, as designated by us, do not attend the annual convention for two (2) consecutive years, you will be in default of this Agreement, and we will have the right to terminate this Agreement (or, in lieu of termination, increase your royalty fee by one percent (1%) of Gross Revenue under Section 7.6 until you attend the annual convention as designated by us), as well as any other rights and remedies available to us at law or in equity.

## 6. OPERATION OF THE FRANCHISED BUSINESS

**6.1.** Compliance with Brand Standards. In order to protect the reputation and goodwill of the Brand and to maintain high standards of operation under the System, you agree to comply strictly with all of our required Brand Standards. The Brand Standards may relate to any aspect of the appearance, operation, and marketing of the Franchised Business. Any material failure to comply with the required Brand Standards or to pass our inspection will constitute a material breach of this Agreement. However, we have the right to vary our standards and specifications to accommodate the individual circumstances of different franchisees. Franchisor's specifications do not constitute a warranty or representation, express or implied, as to quality, safety, suitability,

fitness for a particular purpose or any matter. We will not be liable to you or others on account of the designation of Brand Standards for the operation of the Franchised Business under the System.

**6.2.** Management. The Franchised Business is required at all times to be under the day-to-day supervision of the Key Person. We have the right to rely on any statement, agreement, or representation made by the Key Person. If the Key Person leaves your organization, you are required to nominate a replacement within thirty (30) days thereafter. If you have not obtained our approval of a replacement within ninety (90) days, you will be in material default of this Agreement.

**6.3.** Approved Products and Services. You are required to offer for sale from the Franchised Business all products and services that we designate from time to time as required items. You may also offer for sale any optional products and services that we have approved for sale in the Franchised Business. You are prohibited from offering any unapproved products or services without our prior written consent. The service system and processes are integral to the System and that failure to adhere to them strictly will constitute a default of this Agreement. You are required to discontinue selling or offering for sale any products or services that we disapprove at any time, in our sole discretion.

**6.4.** Pricing and Promotional Activities. To the extent permitted by applicable law where the Franchised Business is located, we have the right to establish maximum and/or minimum prices that you are required to follow for products and services sold in the Franchised Business. Subject to applicable law, you are required to participate in and comply with the terms of special promotional activities that we prescribe for Franchised Businesses generally or for Franchised Businesses in specific geographic areas or having particular characteristics. These activities may include special offers and other pricing promotions. Subject to the limitations in Section 10, you agree to bear your own costs of participating in these activities. You are required to display promotional signs and materials and otherwise participate in the manner we request.

**6.5.** Telephone Numbers. You are required to obtain one or more separate telephone numbers that are identified with the Franchised Business and no other business. At the termination or expiration of this Agreement, those telephone numbers and any online listings become our property. Simultaneous with signing this Agreement, you agree to sign the Telephone Number and Internet Agreement attached as Appendix D, duly appointing us as attorney-in-fact to effect a transfer to us of the telephone numbers and online listings for the Franchised Business upon expiration or termination of this Agreement. We may require that telephone numbers and electronic identities you use in connection with the Franchised Business be owned and controlled by us or an approved supplier, and that you transfer to an approved call routing and tracking supplier all telephone numbers associated with the Franchised Business.

**6.6.** Live Voice and Call Center. Telephone calls to the Franchised Business are required to be answered by "live" voices during the hours specified in the Brand Standards Manuals. You may not have calls answered by answering machines, voicemail, or digital assistants. We may require or prohibit forwarding calls to mobile phones. If you do not comply with the "live" voice requirement as stated in the Brand Standards Manuals, we have the right to increase your royalty by one percent (1%) of Gross Revenue, in addition to any other remedies available to us under this Agreement, including default and termination. We also have the right to require you to use a designated call center for the Brand (the **"Call Center"**) for incoming calls. We will charge you a fee for using the Call Center service, whether the service is required or optional. As of the Agreement Date, the Call Center Fee is the amount set forth in the Brand Appendix and is due at the same time as your royalty payments. We reserve the right to increase the Call Center Fee, to charge a minimum fee for this service, and to change the timing of payment of the fee. We also reserve the right to terminate your access to the Call Center or to cancel the Call Center program. We will provide you at least thirty (30) days' notice prior to terminating the Call Center, modifying the Call Center Fee, or changing the timing of payment.

**6.7.** Technology Requirements. We have the right to specify the point-of-sale (POS) system, customer relationship management (CRM) system, back-office system, software applications, audio/visual

equipment, security systems, electronic payment devices, and other hardware, software, and network connectivity for the Franchised Business. You agree to sign any standard license agreement or user agreement that may be required to use a system that we specify. You are required to use the required systems for service calls, managing inventory, reporting Gross Revenue and other information, training personnel, and other functions as we specify from time to time. You are required to ensure that your employees are adequately trained to use the systems and that they follow applicable policies. You are required to maintain your technology systems in good working order at all times and promptly install upgrades, additions, modifications, substitutions and/or replacements of hardware, software, connectivity, power, and other system components as necessary. You agree to bear all costs of acquisition, installation, use, maintenance and upgrade of your systems.

**6.8.** Franchisee Portal. We have the right (but no obligation) to establish one or more websites and/or mobile applications that are open only to franchisees (the **"Franchisee Portal"**). If applicable, you are required to use the Franchisee Portal for reporting, training, ordering merchandise and supplies, or other purposes as we direct.

**6.9.** Payment Systems and Customer Retention Programs. You are required to participate in programs relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, and other electronic money programs we prescribe from time to time for Franchised Businesses. Participation includes both issuing program benefits or credits and accepting them for payment by customers, and may require you to purchase additional equipment. We have the right to coordinate the crediting and debiting of funds among Franchised Businesses based on customer purchases and redemption of stored value. You are required to comply with our policies regarding acceptance of payment by credit and/or debit cards, mobile payment systems, and digital coupons, including, for example, minimum purchase requirements and/or surcharges for use of a card. You are required to also participate in any customer loyalty programs we prescribe from time to time. You may not offer your own gift card, electronic money, or loyalty program for the Franchised Business without our prior written approval. The payment systems and loyalty programs we designate may require you to obtain new hardware, software, equipment and training at your own expense.

**6.10.** Sourcing. We have the right to require that all equipment, technology, inventory, supplies, vehicles, signs, furnishings, fixtures, décor items, retail merchandise, payment systems, and other products and services that you purchase for use or resale in the Franchised Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from vendors that we have expressly approved; and/or (c) be purchased only from a single source (which may include us or our affiliates) at the then-current price. To the extent that we establish specifications, require approval of vendors, or designate specific vendors for particular items, we will notify franchisees via the Brand Standards Manuals or otherwise. We and our affiliates will earn revenue and profits on sales that we make directly to you. We may negotiate purchasing arrangements under which vendors agree to make goods or services available to Franchised Businesses on specific terms. You agree to participate in and abide by the terms of any vendor purchase program established by Franchisor. Subject to applicable law, we may earn money in the form of rebates, licensing fees, administrative fees, commissions, or other payments from vendors based on your purchases. Subject to applicable laws and our arrangements with the vendors, we have no obligation to remit the funds to you.

**6.11.** Inventory. You are required to keep a sufficient inventory of products, merchandise, and supplies in the Franchised Business to meet the Brand Standards (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

**6.12.** No Liability for Others' Products. We disclaim all express and implied warranties and all other liability concerning any defects, malfunctions, or other deficiencies in equipment or other products manufactured by anyone other than us or our affiliates. You agree not to make any claims against us or our affiliates with respect to products that we and our affiliates did not manufacture, even if we or our affiliate sold you the product or designated or approved its source. You are required to assert any claims only against the manufacturer of the product, even if you obtained it through us or our affiliate.

**6.13.** Use of Approved Location; Hours of Operation. You are required to use the Approved Location only for the operation of the Franchised Business, to keep the Franchised Business open and in normal operation for the minimum hours and days specified in the Brand Standards Manuals (subject to applicable laws), and to not use or permit others to use the Approved Location or the Franchised Business for any other purpose or activity without first obtaining our written consent. We have the right to vary the minimum hours and days of operation by market, type of facility, or other basis.

**6.14.** Required Equipment, Vehicles, Signs, Furnishings and Other Items. Throughout the Agreement term, you are required to acquire, use and install, as we may require, at your expense, all equipment, vehicles, technology, audio/visual equipment, security features, décor, furnishings, promotional materials, and signs that we require from time to time. You must not install or use in the Approved Location or Franchised Business any equipment, vehicles, technology, furnishings, signs, vehicle graphics, or other items that we have not approved.

**6.15.** Condition of Business Assets. You are required to keep the equipment, vehicles, signs, and other tangible assets of the Franchised Business in a clean, orderly condition and in excellent repair and condition, at your own expense. At our request, you are required to provide us with copies of any report of inspection of the Franchised Business conducted by a vendor or government agency.

**6.16.** Condition of Premises. If customers routinely visit the Approved Location, then you are required to periodically remodel your business premises to conform to our then-current Brand Standards for a new Franchised Business. We will not require remodeling more often than once every five (5) years. Remodeling may require expenditures for, among other things, replacement or renovation of furnishings, fixtures, equipment, and signs; interior and exterior painting, flooring and redecoration; and upgrades to technology, restrooms, and customer amenities. The remodeling obligation in this section is separate from and does not limit your obligations in any other Section of this Agreement or in your lease.

**6.17.** Customer Contracts. In the marketing and operation of the Franchised Business, Franchisee is required to use only the customer contracts, waivers, and/or other forms designated by Franchisor from time to time, except where Franchisor does not designate such items. Franchisor may provide Franchisee with templates or sample forms of such items, but it is Franchisee's responsibility to have all items which are to be used with prospective and/or actual customers reviewed, at Franchisee's expense, by an attorney licensed to practice law in the state(s) where the Franchised Business is operated, for compliance with all applicable state and local legal requirements. Franchisor makes no warranty or representation that any contracts, waivers and/or other forms and/or materials, whether supplied by Franchisor or otherwise, are in compliance with the laws of any particular state(s) or locality.

**6.18.** Customer Warranty or Guarantee. If the Brand Standards include a customer warranty or a satisfaction guarantee, you are required to provide the warranty or satisfaction guarantee to each customer and comply with the requirements of the warranty/guarantee program, as set forth in the Brand Appendix and/or the Brand Standards Manuals.

**6.19.** Performance Requirements. You agree to continuously exert best efforts to promote and enhance the performance of the Franchised Business and the goodwill of the Marks. If minimum performance requirements are set forth in the Brand Appendix (the **"Minimum Performance Requirements"**), you are required to achieve those Minimum Performance Requirements. If you do not achieve the Minimum Performance Requirements, we will have the right to: (i) reduce the size of the Territory; (ii) establish or license a third party(ies) to establish a Franchised Business within the Territory; (iii) require Franchisee to implement a revenue improvement program, as we specify, which may include, among other things, engaging in specified marketing activities, by the conclusion of which Franchisee is required to achieve the Minimum Performance Requirements; or (iv) terminate this Agreement. If we elect the option in clause (iii), your failure to comply with the terms of the revenue improvement program or failure to achieve Minimum Performance Requirements will

allow us to terminate this Agreement. The Minimum Performance Requirements are not a representation or guarantee of any financial results to Franchisee from the exercise of the rights granted in this Agreement.

**6.20.** Territory Visits and Inspections. You are required to permit our representatives to inspect the operations of the Franchised Business and to enter your business premises during normal business hours to review records, to observe, photograph and record operations, to remove samples of goods, materials and supplies for testing and analysis, and to interview your customers, employees, and vendors. You are required to provide assistance as requested by our representatives. Upon notice from us, you are required to immediately begin any steps necessary to correct deficiencies noted during a Territory visit.

**6.21.** Brand Standards Assessments. You are required to comply with our Brand Standards monitoring program, at your own expense. The program may include, among other things, customer satisfaction surveys, mystery shopper reports, employee satisfaction and perception surveys, health and safety reviews, and third-party observation of your operations. If you do not achieve the minimum score or standard that we prescribe for a specific Brand Standards category, we may require you and/or your employees to complete additional training at a location we designate, at your expense. If you do not achieve the prescribed minimum score or standard on two consecutive assessments or on three or more assessments in any five (5) year period, we will have the right to terminate this Agreement under Section 16.1.

**6.22.** Brand Programs. You are required to participate in and comply with any other programs that we prescribe for Franchised Businesses, as specified in the Brand Appendix.

**6.23.** Employer Responsibilities. You are required to maintain proper staffing in the Franchised Business to meet the Brand Standards. You have sole responsibility for all employment decisions and functions relating to the Franchised Business, including but not limited to decisions related to recruiting, screening, hiring, firing, scheduling, training (other than the training in Section 5), compensation, benefits, wage and hour requirements, recordkeeping, supervision, safety, security and discipline of employees. Any information we provide about employment matters, whether voluntarily or in response to your request, and whether directly or by means of any technology tools, is a recommendation only and not intended to exercise control over the wages, hours or working conditions of your employees or the means and manner by which they carry out their duties. In addition, we may provide you with access to an independent, third-party employment law hotline (the "**Hotline**"). We will have no liability with respect to any advice you may receive through the Hotline or otherwise in connection with your use of the Hotline and we may discontinue offering access to the Hotline at any time. You alone will direct and control all employees of the Franchised Business, subject only to the Brand Standards that we prescribe to protect the goodwill associated with the Marks, which may include the requirement of initial and periodic drug testing and background checks. You are required to clearly inform all workers, before hiring and periodically thereafter, that Franchisee, and not Franchisor, is their employer and that Franchisor does not assume and will not accept any employer, co-employer, or joint employer obligations. You agree to indemnify us for any liability, cost, expense, loss or damage, including attorney's fees and costs, arising from (i) any claim or allegation that Franchisor or any affiliate is the employer, co-employer, or joint employer of Franchisee, its Owners, or any workers in the Franchised Business, and (ii) your use of the Hotline or reliance on any information received during your use of the Hotline.

**6.24.** Modifications to System. We can modify the System and the products and services offered by the Franchised Businesses from time to time (such as, but not limited to, by adding, deleting, and changing approved products or services, equipment, operating procedures, and Brand Standards). You agree to comply, at your own expense, with all such modifications, including without limitation any associated replacement or renovation of equipment, remodeling, redecoration, modifications to existing improvements, and structural changes.

**6.25.** Compliance with Lease. You are required to comply with all terms of the lease or sublease for the Approved Location and all other agreements affecting the operation of the Franchised Business. You are

required to use best efforts to maintain a good working relationship with your landlord and refrain from any activity that may jeopardize your right to remain in possession of the Approved Location.

**6.26.** Compliance with Laws. You are required to operate the Franchised Business in compliance with all applicable municipal, county, state and federal laws, rules, regulations and ordinances, including maintaining all regulatory licenses. Additional details may be set forth in the Brand Appendix. You have sole responsibility for compliance despite any information or advice that we may provide.

**6.27.** Taxes and Indebtedness. You are required to promptly pay when due all taxes and all accounts and other indebtedness you incur in the operation of the Franchised Business. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but you may not permit a tax sale or seizure or attachment by a creditor against the Franchised Business.

## 7. FEES

**7.1.** Franchise Fee. You are required to pay us a non-refundable initial franchise fee in the amount shown in the Data Sheet. The initial franchise fee is due when you sign this Agreement.

**7.2.** Royalty. Beginning at the earlier of the Opening Deadline or when the Franchised Business opens, you are required to pay us an ongoing royalty fee in the amount shown in the Brand Appendix. Unless we designate a different period, the royalty fee will be paid on the schedule shown in the Brand Appendix.

**7.3.** Brand Fund Contribution. You are required to contribute to the Brand Fund on an ongoing basis the amount shown in the Brand Appendix. The Brand Fund contribution will be calculated for the same period and paid in the same manner as the royalty fee and will be used as described in Section 10.2.

**7.4.** Technology Fees. You are required to pay us fees as specified in the Brand Appendix to support development and operation of software, portals, websites, email accounts, mobile applications, social media, and other technology and communications channels. Unless we designate a different period, the technology fees will be paid on the schedule shown in the Brand Appendix. We can revise technology fees at any time on reasonable notice, which need not be more than thirty (30) days.

**7.5.** Service Deficiency Reimbursements. If a customer of the Franchised Business complains to us that your services were deficient and we determine, after discussion with you, that there is merit to the customer's complaint, we reserve the right to perform or cause to be performed services to the customer's satisfaction or to reimburse the customer for any money the customer may have paid for the deficient services. You are required to promptly reimburse us for any costs we incur to perform the services or to reimburse the customer, upon receipt of an invoice from us.

**7.6.** Non-Compliance Royalty Rate. If we determine that Franchisee is not in compliance with this Agreement, we are entitled to give notice declaring Franchisee non-compliant. Such notice shall be delivered with sufficient detail to provide Franchisee the opportunity to cure its non-compliance. As of the first Royalty Fee payment due date to occur more than ten (10) days after delivery of the notice of non-compliance by Franchisor, and continuing until the non-compliant condition has been removed, Franchisor shall have the right to assess Royalty Fees at the rate one percent (1%) higher than the rate payable under Section 7.2, in Franchisor's sole and absolute discretion. This right is cumulative of all other rights of Franchisor arising from Franchisee's non-compliance.

**7.7.** Payment Method. For all amounts payable to us, you are required to use the payment method(s) that we designate from time to time. If we require payment by Automated Clearing House (ACH) or electronic funds transfer, you are required to designate an account at a commercial bank of your choice (the **"Account"**)

from which we are able to make withdrawals. You agree to complete and submit to us an authorization for Automated Clearing House or other electronic funds transfer in the form attached to this Agreement as Appendix E or such other form as we or your financial institution may require. You agree to maintain sufficient funds in the Account to cover the amounts payable to us. If funds in the Account are insufficient to cover the amounts payable at the time we make our periodic electronic funds transfer, the amount of the shortfall will be deemed overdue. Additionally, if the electronic funds transfer payment request is returned due to insufficient funds, you are required to pay us a fee equal to the greater of: (a) $50 or (b) the amount the bank charges us due to the insufficient funds. If we permit you to pay with a credit card, you agree to reimburse us for the resulting charges we incur, subject to applicable law.

**7.8.** Late Reports and Estimated Payments. If Franchisee's Gross Revenue report required by Section 8 is not received when due, (i) all payments owed by Franchisee for such time period shall be deemed overdue until the reports are received by Franchisor, regardless of whether payment was actually made; (ii) Franchisee shall be responsible for applicable late fees and interest under Section 7.9; and (iii) Franchisor will have the right to estimate Gross Revenue (and Franchisee agrees that 15% greater than previously reported Gross Revenue is a reasonable estimate, among other methods to estimate) and to draft from Franchisee's bank account the estimated amount due for royalties, Brand Fund contributions, and any other charges that are calculated based on Gross Revenue. When you provide the delinquent report(s), we will reconcile any difference between the estimated amount and the actual charges due for the period, and, if an overpayment, we will credit you on your next payment obligation to us.

**7.9.** Interest and Late Fees. If any payment to us is overdue, you are required to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of 12% per annum or the maximum rate permitted by law, whichever is less. In addition, we will have the right to charge a late fee of $100 for the second occurrence of a payment or report that is more than thirty (30) days past due, $200 for the third such occurrence, and $300 for the fourth and each subsequent occurrence. The late fee is to compensate us for our administrative costs incurred in enforcing your obligation to pay us or submit reports to us.

**7.10.** Security Interest. To secure payment of: (a) the amounts you owe to us and our affiliates from time to time under this Agreement and under any other agreement between you and us or our affiliates; and (b) the costs and expenses that we and our affiliates incur to collect or attempt to collect amounts due from you and to enforce this Section (together, the **"Obligations"**), you hereby grant us a security interest in all of the assets of the Franchised Business, including but not limited to: (i) all equipment, furnishings, fixtures, motor vehicles, merchandise, inventory, goods and other tangible personal property; (ii) all accounts, accounts receivable, other receivables, contract rights, leases, software, chattel paper and general intangibles; (iii) all instruments, documents of title, policies and certificates of insurance, securities, bank deposits, bank accounts and cash; (iv) all books, records and documents; (v) all permits and licenses for the operation of the Franchised Business; and (vi) all accessions, additions and improvements to, and all replacements, substitutions and parts for, and all proceeds and products of, the foregoing, including proceeds of insurance (collectively, the **"Collateral"**). Franchisee agrees to execute and deliver to Franchisor any other documents reasonably requested by Franchisor to create, maintain, perfect, or assure the priority of the security interest granted above. Franchisee hereby appoints Franchisor as its agent and attorney-in-fact to execute and deliver documents and to take all other actions (to the extent permitted by law) in Franchisee's name and on Franchisee's behalf that Franchisor may deem necessary or advisable to create, maintain, perfect, assure the priority of, or foreclose its security interest in and lien on the Collateral. This appointment is coupled with an interest and is irrevocable as long as any of the Obligations remain outstanding.

**7.11.** No Set-off; Application of Payments. Your obligation for timely payment of the fees in this Agreement is absolute and unconditional. You may not set off, deduct, delay, escrow, or withhold any payment based on our alleged non-performance of obligations, including any money you allege that we or our affiliates owe you or any other claims that you believe you have against us or our affiliates. We can apply payments received from you to royalty fees, Brand Fund contributions, technology fees, purchases from us or our affiliates, interest, late charges, or any other obligation in the order we choose, regardless of any designation you make.

**7.12.** Taxes. The payments that you are required to make to us must be the gross amount determined according to the applicable section of this Agreement without deduction for any taxes. You will pay all state and local taxes, including, without limitation, taxes denominated as franchise, business, gross receipts, commercial activity, property, ad valorem, sales, use, or excise taxes, that may be imposed on us or you arising out of or related to our receipt or accrual of fees referenced under this Agreement or related agreements, or ownership or use of any property or materials in your Territory in the course of providing services to you under this Agreement. In any case, you will pay to us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes, penalties, interests or expenses), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required. If you fail to withhold or pay any such obligations to the appropriate government authority, you must indemnify us for any obligations including penalties, interest, and expenses (including legal and accounting fees) resulting from your failure to timely withhold or to pay the taxes.

## 8. REPORTS, FINANCIAL STATEMENTS, CUSTOMER DATA, AND DATA SECURITY

**8.1.** Business Records and Reports. You are required to prepare, and to preserve for at least five (5) years from the dates of their preparation, complete and accurate books, records, and accounts, in accordance with generally accepted accounting principles and in the form and manner we prescribe. We may designate the chart of accounts and/or the accounting program or platform that you are required to use. You are required to provide to us upon request all books, records, tax returns, accounting records, and supporting documents relating to the Franchised Business, including but not limited to daily cash reports, cash receipts journals, general ledgers, cash disbursement journals, weekly payroll registers, monthly bank statements, daily deposit slips, canceled checks, credit card statements, business tax returns, personal tax returns for all Owners and guarantors, supplier invoices, balance sheets, income statements, records of promotions and coupon redemptions, and lists of customers (both current and past) serviced by the Franchised Business. Concurrently with each payment of the Royalty Fee, you are required to send us a report of Gross Revenue for the preceding period, and at our request, you are required to send us accounting records, inventory reports, and such other information and supporting records as we may specify. These records are required to be maintained at the Approved Location except as otherwise permitted by Franchisor.

**8.2.** Financial Statements and Tax Returns. Within fifteen (15) days after the end of each calendar month, you are required to submit a statement of financial condition (a balance sheet) as of the end of the calendar month and a Profit and Loss financial statement for the month and for the fiscal year-to-date. The financial statements are required to be certified as correct and complete by the Key Person. We have the right to require financial statements on a more frequent periodic basis. By May 1st of each year, you are required to submit to us a copy of the federal and state tax returns for the Franchised Business for the prior year.

**8.3.** Parent and Guarantor Financial Statements. At our request, you agree to furnish an annual statement of financial condition for each individual or corporate guarantor of your obligations to us and, if applicable, for each of Franchisee's direct and indirect corporate parents.

**8.4.** Access to Your Systems. You are required to give us independent access to your systems and provide us with login credentials if necessary for that purpose. You are required to maintain an electronic connection with us at all times.

**8.5.** Right to Examine or Audit. We have the right, at any time, to examine and copy, at our expense, the books, records, accounts, and tax returns of the Franchised Business and the personal tax returns of the Owners. We also have the right, at any time, to have an independent audit made of the books and records of the Franchised Business. You are required to cooperate with the persons making the examination or audit on our behalf. If you or we discover at any time, by means of an audit or otherwise, that there has been an underpayment of royalty fees or other amounts due, you are required to promptly pay the amount due, together with applicable late fees and interest. Your payment and our acceptance of the overdue amounts will not constitute a waiver of or prejudice our right to exercise any other remedy in this Agreement, including termination.

**8.6.** Cost of Examination or Audit. If we perform an examination or audit due to: (i) your failure to submit reports of Gross Revenue or required financial statements, or (ii) your failure to maintain books and records as required, or if (iii) the cumulative Gross Revenue you report for any period of three consecutive months is more than 2% below the actual Gross Revenue for the period as determined by the examination or audit, then you are required to pay us the cost of the examination or audit, including travel and lodging expenses for the examiners or auditors. For purposes of calculating the cost, we will use hourly rates for our own personnel that are consistent with the rates of mid-level professionals of independent accounting firms.

**8.7.** Business and Customer Data. In this Section: **"Customer Data"** means Personal Information (as defined below), sales and payment history, and all other information about any person or entity the Franchised Businesses have serviced, wherever stored, including data regarding customers of businesses converted to a Franchised Business, and any other information we may identify in the Brand Standards Manuals; **"Personal Information"** includes any information that, by itself or in conjunction with other information, may be used to specifically identify an individual, such as name, physical address, telephone number, e-mail address, social media accounts, billing and payment history, customer service requests, and any other information as defined in applicable law; and "**Business Data**" means all financial reports, vendor and supplier pricing data, and all other data about the Franchised Businesses other than Customer Data. Franchisee agrees that:

**8.7.1** We have the right to independently access all Business Data, wherever maintained. Franchisor also has the right to require Franchisees to deliver Business Data to Franchisor. Franchisor has the right to use (and to authorize others to access and use) Business Data to, among other uses: (i) verify sales; (ii) monitor progress of its franchisees, including compliance with Minimum Performance Requirements; (iii) prepare a financial performance representation for Franchisor's Franchise Disclosure Document; and (iv) share vendor and supplier pricing data with its affiliates.

**8.7.2** Franchisor owns and has the right to access all Customer Data, in whatever form existing, and wherever stored. Because we own the Customer Data, including Personal Information, we can share it with our affiliates, service providers, contracted third parties, or any other person, for any purpose, without notifying or compensating you, both during and after this Agreement, including for the performance of services for Franchisor or its parents or affiliates, as well as for marketing and cross-selling products and services of any of the foregoing parties. Whenever we request, and without request upon termination or expiration of this Agreement, you are required to promptly deliver to Franchisor all Customer Data in your possession or control, without retaining any of Customer Data in any media. You may not sell or disclose to anyone else any Personal Information or aggregated or non-aggregated Customer Data without first obtaining our written consent. In the event of an approved sale of the Franchised Business to a new owner who will continue to operate the Franchised Business under an agreement with us, you may not transfer the Customer Data to the new owner. You agree to install and maintain the security measures and devices necessary to protect Customer Data from unauthorized access or disclosure, including (but not limited to) the minimum measures in Section 8.8.

**8.8.** Privacy and Security.

**8.8.1** You are required to comply with applicable laws and our requirements pertaining to the collection, use, processing, protection, integrity, transfer of, consumer access to, correction of, and deletion of

Personal Information. You are required to ensure that you collect Personal Information with express or implied consent of the consumer. Where required by applicable law, you are required to provide a written privacy notice to consumers regarding your collection, use, and disclosure of Personal Information, and are required to comply in all respects with any such written privacy policy. In addition to any restrictions set forth in Section 8.7.2 above, if Franchisor provides Franchisee with Personal Information (i) for the purpose of performing a service on behalf of Franchisor, or (ii) at the direction of the consumer, then the following restrictions shall apply to Franchisee's use of such Personal Information: Franchisee shall not (i) sell, rent, release, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information; (ii) retain, use, or disclose Personal Information for any purpose other than fulfilling the purpose for which it was provided and as permitted in this Agreement, including any restrictions set forth in Section 10; or (iii) retain, use, or disclose Personal Information outside of the direct business relationship between Franchisor and Franchisee. If Franchisor provides Personal Information to Franchisee, Franchisee certifies that it understands and will comply with the restrictions and obligations under any applicable laws on such Personal Information. Upon Franchisor's request, Franchisee shall provide reasonable assistance to Franchisor in complying with any request from a consumer to exercise rights under any applicable law. Without limiting the foregoing, upon Franchisor's request, Franchisee shall delete some or all Personal Information that Franchisee maintains.

**8.8.2** You are required to implement industry-standard administrative, physical, and technical security measures and devices to protect data from unauthorized access, acquisition, loss, destruction, disclosure or transfer. Without limiting the foregoing, you agree to comply with the then-current Payment Card Industry Data Security Standards (PCI/DSS), as those standards may be revised by the PCI Security Standards Council, LLC (see *www.pcisecuritystandards.org*) or successor organization; to implement the security requirements that the Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards; and to complete PCI/DSS audits as and when required by the standards. Compliance with PCI/DSS is not a guarantee that a security breach will not occur. Any losses or expenses we incur as a result of an actual or suspected security breach will be subject to indemnification under Section 20.

**8.9.** Data and Network Security. You are required to implement industry-standard administrative, physical, and technical security measures and devices to protect data (whether Personal Information, Customer Data, Confidential Information, intellectual property, or other data) and any portion of the Franchised Business from unauthorized access, acquisition, loss, destruction, disclosure or transfer. Franchisee is solely responsible for protecting the Franchised Business from computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders. Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures or attacks. Franchisee is also required to use best efforts to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This includes best efforts to secure Franchisee's systems, including, but not limited to, use of firewalls, access code protection, anti-virus systems, and backup systems. In the event of a known or suspected security breach, you agree to notify us promptly and comply with applicable laws and any instructions from us regarding response to the breach.

**8.10.** Late Report Fee. To encourage prompt delivery of all Gross Revenue reports, Customer Data, Certificates of Insurance, and any other reports or records required or that may be requested by Franchisor under this Agreement, Franchisee shall pay, upon demand, for each report or record that Franchisee fails to deliver when due, a late report fee under Section 7.8.

**8.11.** Third Party Information. Franchisee hereby authorizes Franchisor and its agents and representatives to make credit and background checks of Franchisee and Owners, and to make inquiries of Franchisee's bank, suppliers, and trade creditors concerning the Franchised Business and hereby directs such persons and companies to provide to Franchisor such information and copies of documents pertaining to the Franchised Business as Franchisor may request.

**8.12.** Licenses. Franchisee is required to provide to us, within 10 days after you receive them and upon our request, true and correct copies of all state and other licenses related to the Franchised Business and correspondence related to renewals, expirations or denials thereof.

## 9. INSURANCE

**9.1.** Basic Requirements. You must maintain the types and minimum amounts of insurance coverage and bonds we specify for Franchised Businesses, at your own expense. The policies must be written by carriers with an industry rating acceptable to us; must name Franchisor, our affiliates, and their respective officers, directors, shareholders, and employees as additional insureds as we direct; and must not have deductibles, exclusions or co-insurance that are unacceptable to us. Each insurance policy must contain a waiver by the insurance company of subrogation rights against Franchisor, its affiliates, and their successors and assigns. You are required to provide us with evidence of all required insurance coverage and payment of premiums at the times we require. At least thirty (30) days before each insurance policy expires, you are required to furnish a copy of renewal or replacement insurance and evidence of payment of the premium. Your obligation to obtain coverage is not limited by insurance that we maintain.

**9.2.** Changes. We have the right to increase the amounts of insurance coverage required and to require different or additional kinds of insurance. If you do not have the insurance required by this Agreement, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you agree to reimburse us for the cost of insurance, plus a reasonable fee for our services.

## 10. MARKETING AND ADVERTISING

**10.1.** Acknowledgments. You acknowledge the importance of standardization of marketing and advertising programs to the goodwill and public image of the System, the Marks, and Franchised Businesses generally. You further acknowledge our rights in this Section to modify advertising, marketing and public relations programs and the manner in which marketing and advertising funds are used from time to time.

**10.2.** Brand Fund. You are required to contribute to the Brand Fund as provided in Section 7.3. The purpose of the Brand Fund is to support general recognition of the Franchised Businesses and the Brand. The Brand Fund will operate as follows:

**10.2.1** We will have the right to direct all advertising, marketing, public relations, and other activities to promote, develop and enhance the Brand, with final discretion over strategic direction, creative concepts, the materials and endorsements to be used, and the geographic market and media placement. We may use the Brand Fund to pay costs and expenses as we determine in our sole discretion, including but not limited to: production of video, audio, written, online and mobile marketing materials; purchasing promotional items; sponsorship of sporting, charitable, or similar events; design, establishment, and maintenance of websites, social media, mobile applications and other electronic marketing; implementation of advertising programs, in-store promotions, direct mail, and media advertising; marketing and sales training; employing advertising agencies; conducting public relations, consumer research, product development, product testing, and test marketing programs; developing and implementing trade dress and design prototypes; fulfillment charges; salaries and expenses of employees of Franchisor and affiliates working for or on behalf of the Brand Fund; fees of accounting firms, design firms, public relations firms, consultants and ad agencies; legal fees for advertising pre-clearance, defense of false advertising claims, and defense of any claims made regarding our administration of the Brand Fund; other administrative costs and overhead incurred in activities related to the administration and activities of the Brand Fund; and interest on any monies borrowed by the Brand Fund.

**10.2.2** We will make available to you any creative materials financed by the Brand Fund. You agree to pay or to reimburse us for any costs to reproduce the materials and/or to customize the materials for your use.

**10.2.3** We may seek the advice of franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the Brand Fund. We retain final authority on all programs financed by the Brand Fund. We have the right to incorporate, replace, change or dissolve the Brand Fund.

**10.2.4** We will not be obligated, in administering the Brand Fund, to make expenditures for you that are equivalent or proportional to your contributions, or to ensure that any particular franchisee or Franchised Business benefits directly or pro rata from expenditures by the Brand Fund. You have no right to reduce or withhold contributions based on any alleged lack of benefits to the Franchised Business or based on failure by any other franchisee (with or without our permission) to make its contributions to the Brand Fund.

**10.2.5** Nothing in this Agreement is intended or will be construed to impose a trust or fiduciary duty on Franchisor in connection with the Brand Fund, including, but not limited to, with respect to the collection of contributions, maintenance of the bank account, bookkeeping, and disbursement of monies from the Brand Fund. Except as expressly provided in this Section 10.2, we assume no direct or indirect liability or obligation to you with respect to maintenance, direction, or administration of the Brand Fund.

**10.3.** Pre-Opening and Grand Opening Marketing. You are required to conduct pre-opening and grand opening marketing for the Franchised Business in accordance with a plan that you will create, subject to our approval. You are required to spend at least the amount specified in the Brand Appendix to implement the pre-opening/grand opening marketing plan. We reserve the right to require you to deposit with us the funds required under this Section, which we will distribute as necessary to carry out the approved plan.

**10.4.** Local Marketing. You are required to spend at least the amount specified in the Brand Appendix for local advertising and promotion of the Franchised Business (**"Local Marketing"**). This is in addition to your obligations under Sections 10.2 and 10.3. We have the right to specify that you pay Local Marketing funds to us, our affiliate, or a third party vendor. We and our affiliates may earn revenue and profits on products or services we provide and may receive rebates, licensing fees, administrative fees, commissions, or other payments on products and services that third party vendors provide. With respect to all Local Marketing funds you pay to a third party, you are required to provide us with monthly Local Marketing expense statements (including receipts supporting the reported expenditures) evidencing compliance with the Local Marketing spend requirements. All Local Marketing is required to be approved by us pursuant to Section 10.6 below. You must be listed in the local Internet based directories and in the Yellow Pages or comparable telephone directory if available, as we designate.

**10.5.** Joint Marketing Programs and Cooperatives. We have the right to organize: (1) co-marketing programs in which Franchised Businesses and vendors (or other third parties) cross-promote each other's goods and services; (2) joint marketing efforts in which multiple Franchised Businesses contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives (**"Cooperatives"**) that pool funds of Franchised Businesses in a geographic area or with common characteristics on an ongoing basis to jointly promote the Marks and the Franchised Businesses. The amount we require you to spend or contribute to joint marketing programs and/or a Cooperative will be credited to your obligation for Local Marketing under Section 10.4 or, at our option, to your Brand Fund obligation under Section 7.3, or any combination of the two. You are required to participate in each applicable joint marketing program and comply with the rules of the program. If an existing Cooperative is applicable to your Franchised Business at the time it opens, you are required to immediately become a member of the Cooperative. If a Cooperative applicable to the Franchised Business is established during the term of this Agreement, you are required to become a member no later than thirty (30) days after the date we approve for the Cooperative to begin operation. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative.

**10.6.** Approval Requirement. All proposed advertising and promotional plans and materials that you intend to use are required to meet our standards and specifications and be submitted to us for approval at least

thirty (30) days before their intended use. You are required to use the method(s) we specify to submit materials for approval. You do not have to submit samples of plans or materials that were prepared by us or that we have approved within the last twelve (12) months. Proposed advertising plans or materials are deemed to be disapproved unless we have approved them in writing within fifteen (15) days after your submission of the samples. All advertising and promotion is required to be in the media and of the type and format that we approve, conducted in a dignified manner, and conform to our standards.

**10.7.** Ownership of Advertising and Promotional Materials. You agree that Franchisor owns all copyrights and other rights to all existing and future advertising and promotional materials that contain any of the Marks or that otherwise relate to the Franchised Business, as well as any products, materials, and rights that result from any advertising, marketing, and promotional programs created, purchased, produced or conducted by or on behalf of Franchisee, Franchisor, the Brand Fund, or any Cooperative, regardless of the party that created such materials. No copyrights or other rights or interest in any tangible or intangible materials or in the Marks will vest in Franchisee as a result of any contribution to, or participation in, any advertising, marketing, or promotional program. If, notwithstanding this provision, Franchisee is deemed to have acquired any copyrights, contractual rights or common law rights in any advertising programs or materials, Franchisee shall execute (and shall cause its employees and agents to execute) such documents or instruments as Franchisor requests to effect assignment of such rights to Franchisor or its affiliate.

**10.8.** Solicitation of New Franchisees. We may from time to time develop advertising and promotional materials and displays for the solicitation of franchisees for the Brand. You agree to display all such materials and displays as required by us from time to time.

**10.9.** Media Appearances. You shall not make any television or radio appearance, or make any statement to any public media, in connection with any Franchised Business or the Brand unless you obtain our prior written approval.

**10.10.** Electronic Marketing and Electronic Communications. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any website, URL, social media, blog, messaging system, email account, username, text address, mobile application, or other digital, electronic, mobile or Internet presence that uses or displays any of the Marks (or any derivative thereof) or that promotes any products or services of the Franchised Business. The use of any digital or electronic medium constitutes advertising and promotion subject to our approval under Section 10.6. You agree not to post or transmit, or cause any other party to post or transmit, advertisements or solicitations by telephone, e-mail, text message, instant message, website, social media, mobile apps, VoIP, streaming media, or other electronic media that are inconsistent with our brand advertising guidelines and standards. The brand advertising standards may include the use of disclaimers, warnings, and other statements that Franchisor may prescribe. You are responsible for ensuring that your employees do not violate the policies relating to the use of social media. We have the right to require that social media accounts, profiles, pages, and registrations that primarily promote the Marks or the Franchised Business be registered in Franchisor's name. For any such accounts that we permit to be registered in Franchisee's name, you agree to provide us with the current login credentials within five (5) days after opening the account or changing the credentials. You agree that we have the rights to: (i) access any social media accounts to take corrective action if the account or any postings are in violation of our policies; and (ii) take ownership of the accounts on expiration or termination of this Agreement and operate them thereafter as we see fit. We may offer to provide, or may require that you have, a website for your Franchised Business (which may be structured as a separate page of a consumer website(s) supported by the Brand Fund).

## 11. LICENSED MARKS AND COPYRIGHTS

**11.1.** Identification of the Franchised Business; Public Notice of Independent Status. You are required to operate, advertise, and promote the Franchised Business only under the Marks. In conjunction with any use of the Marks, you are required to conspicuously identify yourself in all dealings with customers, employees,

contractors, suppliers, public officials, and others as an independent franchisee operating under authority of this Agreement. You are required to display a prominent notice, in the form that we prescribe, in the Franchised Business and on all business cards, stationery, advertising, signs, invoices, and other materials, identifying us as the owner of the Marks and stating that you are a licensed user of the Marks.

**11.2.** Your Acknowledgments. You acknowledge that: (a) the Marks are valid and serve to identify the Brand and the Franchised Businesses operating under the System; (b) your use of the Marks under this Agreement does not give you any ownership interest in the Marks; and (c) all goodwill associated with and identified by the Marks belongs exclusively to Franchisor. Upon expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under the Marks. Both during and after this Agreement, you agree not to contest or aid in contesting the validity or ownership of the Marks or take any action harmful to our rights in the Marks.

**11.3.** Limitations on Use of the Marks. You agree to:

**11.3.1** Use the Marks only for the operation of the Franchised Business within the Territory, for approved activities outside of the Territory, and for approved marketing and advertising for the Franchised Business;

**11.3.2** Use the Marks to promote and to offer for sale only the products and services that we have approved, and not use any Marks in association with the products, materials or services of others;

**11.3.3** Use only the Marks designated by us and use them only in the manner we authorize;

**11.3.4** Comply with our instructions in filing and maintaining any requisite trade name or fictitious name registrations, and sign any documents we deem necessary to obtain protection for the Marks or to maintain their continued validity and enforceability;

**11.3.5** Not independently register or apply for registration of any trademark, service mark, trade name, domain name or electronic identifier relating directly or indirectly to the Marks, anywhere in the world, without our prior written consent. Any such registration or application by you, whether or not authorized by us, will be deemed to be owned by Franchisor and you agree to take such steps, including signing an assignment document, as we may request to confirm our ownership;

**11.3.6** Permit us or our representatives to inspect your operations to assure that you are properly using the Marks;

**11.3.7** Not use the Marks to incur any obligation or indebtedness on our behalf;

**11.3.8** Not use any of the Marks as part of your corporate or legal name;

**11.3.9** Not use any of the Marks on any employee forms, employee manuals, employee policies, pay stubs, benefits forms, payroll records, or other employee materials; and

**11.3.10** Ensure that the Marks bear the "®", "™", or "SM" symbol, as we prescribe.

**11.4.** Changes to the Marks. We have the right to change, discontinue, or substitute for any of the Marks and to adopt new Marks that you are required to or may use. You agree to implement any such change at your own expense.

**11.5.** Copyrighted Materials. You acknowledge that Franchisor is the owner of certain copyrighted or copyrightable works (the **"Works"**) and that the copyrights in the Works are valuable property. The Works include, but are not limited to, the Brand Standards Manuals, advertisements, promotional materials, signs,

Internet sites, mobile applications, vehicle graphics, and facility designs. We authorize you to use the Works on the condition that you comply with all of the terms and conditions of this Section 11. This Agreement does not confer any interest in the Works on you, other than the right to use them in the operation of the Franchised Business in compliance with the terms of this Agreement. If you prepare any adaptation, translation or other work derived from the Works, whether or not authorized by us, you agree that the material will be our property and you hereby assign all your right, title and interest therein to us. You agree to sign any documents we deem necessary to confirm our ownership.

**11.6.** Third-Party Challenges. You agree to notify us promptly of any unauthorized use of the Marks or Works that you suspect or of which you have knowledge. You also agree to inform us promptly of any challenge to the validity of, our ownership of, or our right to license others to use any of the Marks or Works. We have the exclusive right (but no obligation) to initiate, direct and control any litigation or administrative proceeding relating to the Marks and Works, including any settlement. You agree to sign documents and render any other assistance our counsel may deem necessary to protect our interests in the Marks and the Works.

**11.7.** No Representation. Franchisor makes no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks or Works.

## 12. BRAND STANDARDS MANUALS

We will furnish you with one copy of, or electronic access to, the Brand Standards Manuals. We own the copyright in the Brand Standards Manuals and any portions in your possession or control are on loan from us and remain our property. We have the right to modify the Brand Standards Manuals at any time to reflect changes in the Brand Standards. In the event of a dispute about the contents of the Brand Standards Manuals, the master copy at our principal office takes precedence. The Brand Standards Manuals and any credentials necessary to access digital versions of the Brand Standards Manuals are part of the Confidential Information.

## 13. CONFIDENTIAL INFORMATION

**13.1.** Nondisclosure. You are prohibited, both during and after the term of this Agreement, from communicating or divulging Confidential Information to any unauthorized person and from using Confidential Information for your benefit or for the benefit of any other person, other than for operation of the Franchised Business. You may divulge Confidential Information only: (i) to your employees and agents who must have access in order to carry out their duties relating to the Franchised Business; and (ii) to your contractors and landlord with our prior written approval. All information that we designate as confidential will be deemed to be Confidential Information for purposes of this Agreement.

**13.2.** Individuals Affiliated with the Franchised Business. At our request, the Owners, Key Person, and any employees we designate are required to sign a separate Confidentiality and Non-Compete Agreement in the form of Appendix C to this Agreement. At our request, you are required to use best efforts to obtain signed confidentiality agreements from your landlord, contractors, and any other person outside of your organization to whom you wish to disclose any of our Confidential Information. The confidentiality agreements are required to be in a form satisfactory to us and identify us as a third party beneficiary with the independent right to enforce the agreement.

**13.3.** Improvements. You may not introduce any Improvement into the Franchised Business without our prior written consent. Any Improvement developed by you or any Owner, employee or agent of Franchisee is the property of Franchisor. At our request, you are required to provide us with information about the Improvement and sign any documents necessary to verify assignment of the Improvement to us, without compensation. We will have the right to use, disclose, and/or license the Improvement for use by others.

## 14. RESTRICTIONS ON COMPETITION

**14.1.** During the Term. The relationship established by this Agreement will provide access to valuable Confidential Information, training, and business opportunities that you and the Owners did not possess before entering into this Agreement. Accordingly, while this Agreement is in effect, except as we otherwise approve in writing, you may not, either directly or indirectly:

**14.1.1** Own, maintain, operate, engage in, invest in, be employed by, provide any assistance to, or have any interest in any "**Competing Business**," as defined in the Brand Appendix; or

**14.1.2** Appropriate or duplicate any part of the System for a purpose other than to operate the Franchised Business, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Marks and the System.

**14.2.** After Expiration, Termination or Transfer. You agree that you will not, for a period of two (2) years commencing on the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final arbitration or court order (after all appeals have been taken) with respect to enforcement of this Section 14.2 to the extent such order is later than the respective foregoing event:

**14.2.1** Own, maintain, operate, engage in, invest in, be employed by, provide assistance to, or have any interest in any Competing Business that is located in or serves customers within (i) the Territory, (ii) forty (40) miles of the Territory, (iii) any zip code where Franchisee's Franchised Business served customers during the term, (iv) the territory of any other then-existing Franchised Businesses plus the area formed by extending the boundaries of that territory ten (10) miles in all directions, or (v) the territory serviced by any business operated by Franchisor, its affiliates or their licensees under the Marks at such time plus the area formed by extending the boundaries of that territory ten (10) miles in all directions; or

**14.2.2** Appropriate or duplicate any part of the System for a purpose other than to operate a Franchised Business under a valid agreement with us, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Marks and the System.

**14.3.** Enforcement.

**14.3.1** You acknowledge that a violation of this Section 14 would result in irreparable injury for which no adequate remedy at law may be available. You consent to the issuance of an injunction, without the need to post bond, prohibiting any violation of this Section 14. Injunctive relief is in addition to any other remedies we may have.

**14.3.2** Neither you nor any person bound by the restrictions of this Section 14 may circumvent the restrictions by engaging in prohibited activity indirectly through any other person or entity.

**14.3.3** For the individuals who are bound personally by the restrictions in this Section 14 or by a separate non-competition agreement with you or us, the time period in Section 14.2 will run from the expiration, termination, or transfer of the Franchised Business or from the end of the individual's relationship with Franchisee, whichever occurs sooner.

**14.3.4** The time periods in Section 14.2 and Section 14.3.3 will be tolled for any period of time during which Franchisee or the restricted individual is in breach of the section and will resume only when Franchisee or such person begins or resumes compliance.

**14.3.5** The existence of any claim Franchisee or any Owner may have against Franchisor or its affiliates, whether or not arising under this Agreement, shall not constitute a defense to Franchisor's enforcement of the restrictions in this Section 14 or any separate confidentiality or non-competition agreement.

**14.3.6** You represent that Franchisee and each of its Owners possess skills and abilities of a general nature that provide them with other opportunities for employment and, therefore, our enforcement of the restrictions in Sections 14.2 and 14.3.3 will not deprive Franchisee or any of its Owners of their personal goodwill or ability to earn a living through alternative means.

**14.3.7** We have the right to reduce the scope of any restriction in this Section 14, effective immediately upon written notice to Franchisee.

## 15. SALE OR ASSIGNMENT

**15.1.** No Transfer of Interest without Our Consent. We have entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Franchisee and its Owners. Accordingly, neither Franchisee nor the Owners may sell, assign, give away, pledge, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) any direct or indirect interest in this Agreement, in the assets of the Franchised Business, or in the equity ownership of Franchisee without obtaining our prior written consent. This section applies to any transfer that would occur by any mechanism, including but not limited to family financial planning, estate planning, corporate reorganization, issuance or offering of securities, employee ownership plans, divorce, new marriage, bankruptcy, or receivership. If Franchisee is a corporation, limited liability company, or other business entity, this Section also applies to the transfer of a direct or indirect ownership interest in Franchisee. We can approve or disapprove the proposed transferee in our sole discretion. If we approve the proposed transferee, we can still impose conditions on the transfer. Franchisee and the Owners agree that the conditions in Sections 15.2 through 15.7 below are reasonable and that they do not preclude other conditions that we may impose. Franchisee and the Owners agree to notify us in writing of each proposed transfer, to provide all information and documentation relating to the proposed transfer that we request, and to refrain from completing the transfer until we advise you that all requirements of this Section 15 have been satisfied. If we have not responded within sixty (60) days after receiving all requested information, we will be deemed to have refused consent. We have the right to communicate with and counsel Franchisee, the Owners, and the proposed transferee on any aspect of a proposed transfer. Unless otherwise agreed, we do not waive any claims against the transferring party if we approve the transfer. If we do not approve the transfer, you are required to continue to operate the Franchised Business in accordance with this Agreement.

**15.2.** Transfer of Business. The conditions set forth in this Section apply to a proposed transfer of this Agreement and/or substantially all of the assets of the Franchised Business, as well as to a proposed transfer, alone or together with other previous, simultaneous or proposed transfers, of any direct or indirect equity ownership interest in Franchisee that would result in a change of control of Franchisee or the Franchised Business (**"Change of Control"**). Unless waived by Franchisor, the conditions are:

**15.2.1** Franchisee and the Owners are required to be in compliance with all obligations to us under this Agreement and any other agreement with us and our affiliates as of the date of the request for our approval of the transfer, or make arrangements satisfactory to us to come into compliance by the date of the transfer.

**15.2.2** The proposed transferee is required to:

(a) Demonstrate to our satisfaction that the proposed transferee and its owners and managers meet all of our then-current qualifications to become a franchisee of the Brand, which may include educational, managerial, and business standards; absence of involvement with Competing Businesses; good moral character, business reputation, and credit rating; and aptitude and ability to operate the Franchised Business. If the proposed transferee is already a franchisee of the Brand, that fact does not guarantee approval to become the operator of the Franchised Business. We have no less discretion with respect to a proposed transferee than we have with granting a new franchise.

(b) At our option, sign our then-current standard form of Franchise Agreement (or the standard form most recently offered to new franchisees) and related documents. The new Franchise Agreement may include new or increased fees and may otherwise differ, without limitation, from the terms of this Agreement.

(c) Require all owners of a beneficial interest in the transferee to sign our then-current form of Personal Guarantee and our other then-current standard documents.

(d) Successfully complete our then-current training requirements.

(e) Make arrangements to modernize and upgrade the Franchised Business, at the transferee's expense, to comply with our then-current Brand Standards.

(f) If the proposed transferee is another franchisee of the Brand, the proposed transferee is required to not have any outstanding notice of default under any agreements with us, have a good record of customer service and compliance with Brand Standards, and sign a general release in a form acceptable to us.

**15.2.3** Franchisee is required to pay us a transfer fee of $10,000 ("**Transfer Fee**"). If the proposed transferee had been referred to you or us by a third-party (e.g., a broker) with whom we have a referral arrangement, then we must receive as a condition of approval, an additional fee equal to the amount owed under that referral arrangement. If we identify the prospective purchaser, then in addition to the Transfer Fee, we must receive the greater of: (a) $15,000; (b) three percent (3%) of the total purchase price; or (c) our actual costs to identify the prospective purchaser. Any amounts paid pursuant to this Section are non-refundable.

**15.2.4** Franchisee and all Owners are required to sign a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. Franchisee and the Owners will remain liable to us for all obligations arising before the effective date of the transfer.

**15.2.5** The price and other proposed terms of the transfer must not, in our judgment, have the effect of negatively impacting the future viability of the Franchised Business.

**15.2.6** Any financing incurred in connection with the transfer is required to be expressly subordinated to the transferee's obligations to us.

**15.3.** Transfer of Minority Ownership Interest. For any proposal to admit a new Owner, to remove an existing Owner, to change the distribution of ownership shown on the Data Sheet, or otherwise modify the ownership in a way that would not result in a Change of Control of Franchisee or the Franchised Business, Franchisee is required to give us advance notice and submit a copy of all documents and other information concerning the transfer that we may request. We will have a reasonable time (not less than forty-five (45) days) after we have received all requested information to evaluate the proposed transfer. We may withhold our consent or give our consent subject to the conditions in Section 15.2 that we deem to be applicable, except that, instead of a transfer fee, we will only charge (i) the applicable, then-current change of ownership fee set by Franchisor from time to time (as of the Agreement Date, it is the greater of $500 or Franchisor's external (i.e., not in-house)

legal and administrative costs); plus (ii) applicable training fees for each new person that we determine needs training. Each proposed new owner is required to submit a personal application and sign a Personal Guarantee and our other then-current standard documents.

**15.4.** Transfer on Death, Incapacity or Bankruptcy. If Franchisee or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee is required to apply to us in writing within 3 months after the event for consent to transfer the person's interest. The transfer will be subject to Sections 15.2 through 15.6, as applicable. In addition, if the deceased or incapacitated Owner is the Key Person, we will have the right (but no obligation) to take over operation of the Franchised Business upon giving notice to the executor, administrator, personal representative, or trustee and to manage the Franchised Business until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services. For purposes of this Section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of thirty (30) or more consecutive days or (ii) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 15.2, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement. If an interest is not disposed of under this Section 15.4 within one year after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 16.1.

**15.5.** Non-Conforming Transfers. Any purported transfer that is not in compliance with this Section 15 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure.

**15.6.** Our Right of First Refusal. We have the right, exercisable within thirty (30) days after receipt of the notice of a proposed transfer required by Section 15.1, to send written notice to you that we intend to purchase the interest proposed to be transferred, except that our right of first refusal will not apply if: (i) the sale would not result in a Change of Control; or (ii) the interests would transfer only to the spouse(s) and/or adult children of the Owners. The request for approval of transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, description of financing or other contingencies, and any other documents we deem necessary to support a prudent business decision on whether to exercise the right of first refusal. We can assign our right of first refusal to someone else either before or after we exercise it.

**15.6.1** If the proposed transfer is a sale, we or our designee may purchase on the same economic terms and conditions offered by the third party. Closing on our purchase must occur within sixty (60) days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected to furnish the same type of consideration as the third-party, then we may substitute the equivalent in cash. If the parties cannot agree within thirty (30) days on the equivalent in cash, you and we will jointly designate and pay the cost of an independent appraiser, and the appraiser's determination will be final. We will have thirty (30) days after receipt of the appraiser's determination to decide whether to proceed with the purchase. We are entitled to receive, and Franchisee and the Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable. Any material change in the third party's offer after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as for the third party's initial offer.

**15.6.2** If a transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We will have thirty (30) days after receipt of the appraiser's determination to decide whether to purchase the interest at the fair market value determined by the appraiser. If we decide to purchase, closing on the purchase will occur within forty-five (45) days after our notice to the transferor of our decision.

**15.6.3** If we elect not to exercise our rights under this Section, the transferor may complete the proposed transfer after complying with Sections 15.1 through 15.4, provided that the final sale price is not less than the price at which we were entitled to purchase. If we determine that the final sale price is less than the price at which we were entitled to purchase, we may refuse to give our consent to the transfer. Closing of the transfer to the third party must occur within sixty (60) days of our election not to exercise our rights. If closing does not occur within the 60-day period, the third party's offer will be treated as a new offer subject to our right of first refusal.

**15.7.** Transfer of Development Agreement. If this Agreement is associated with a Development Agreement and you propose to transfer your rights under the Development Agreement, you are required (unless we otherwise approve) to transfer this Agreement and all other Franchised Businesses developed under the Development Agreement to the same transferee in the same transaction.

**15.8.** Sale or Assignment by Franchisor. We have the right to transfer or assign all or any portion of our rights or obligations under this Agreement to any person or legal entity including the operator of a competing franchise system. The assignee will expressly assume our obligations and become solely responsible for them from the effective date of assignment. We can sell our assets, sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

## 16. DEFAULT AND TERMINATION

**16.1.** Termination without Cure Period. In addition to any other rights of termination set forth in this Agreement, we will have the right to terminate this Agreement if any of the following events of default occurs, without providing you an opportunity to cure the default, effective immediately upon delivery of written notice to you:

**16.1.1** If you do not have an Approved Location within three (3) months after signing this Agreement;

**16.1.2** If at any time during the pre-opening training program, we conclude in our sole judgment that any person required to attend the pre-opening training program does not possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or this Agreement;

**16.1.3** If you do not open the Franchised Business by the Opening Deadline;

**16.1.4** If you close the Franchised Business for three (3) or more consecutive business days without our prior approval, express your intent to abandon the Franchised Business, or cease to operate the Franchised Business for any period in circumstances where it is reasonable to conclude that you do not intend to promptly resume operation of the Franchised Business;

**16.1.5** If you lose the right to possession of the Approved Location, or otherwise forfeit the right to do business in the jurisdiction where the Franchised Business is located. However, if, through no fault of your own, the Franchised Business premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then you will have thirty (30) days after that event in which to apply for our approval to relocate and/or reconstruct the Franchised Business;

**16.1.6** If you refuse to permit us to inspect the Franchised Business or your books, records, or accounts as provided herein;

**16.1.7** If you do not comply with the restrictions on competition in Section 14;

**16.1.8** If any transfer of interest in this Agreement, Franchisee, or the Franchised Business occurs that does not comply with Section 15, or if an interest is not disposed of under Section 15.4 within one year after the date of death or appointment of a personal representative or trustee;

**16.1.9** If you misuse or disclose to any unauthorized person any contents of the Brand Standards Manuals or other Confidential Information;

**16.1.10** If you knowingly maintain false or misleading books or records, knowingly underreport sales, or knowingly submit any other false or misleading information to us;

**16.1.11** If you perpetrate common law fraud against us or any customer or supplier of the Franchised Business or knowingly permit any agent or employee of Franchisee to embezzle any funds or property of any customers, Franchisor, Franchisee, or others;

**16.1.12** If Franchisee takes, withholds, misdirects or appropriates for Franchisee's own use any funds withheld from Franchisee's employees' wages for employees' taxes, FICA, insurance, or benefits;

**16.1.13** If Franchisee or any Owner commits or is convicted of, pleads guilty to, or pleads no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe is likely to have an adverse effect on the System, the Marks, or the goodwill associated with them. Once Franchisee or any Owner has been arrested for or formally charged with a serious criminal offense, we will have the right: (i) to require that the individual(s) charged be removed from any active role in the Franchised Business pending final disposition of the charges; and (ii) if the person(s) charged include the Key Person, to take over operation of the Franchised Business and to manage it on your behalf pending final disposition of the charges. If we exercise the right in clause (ii), we may charge a reasonable management fee for our services;

**16.1.14** If Franchisee is insolvent or makes an assignment for the benefit of creditors; if a receiver is appointed for the Franchised Business; if execution is levied against your business assets; if a suit to foreclose any lien or mortgage is filed against you and not dismissed within sixty (60) days; or if your business entity is dissolved;

**16.1.15** If Franchisee or any Owner appears on any government list of "blocked" persons or its assets, property, or interests are "blocked" under any anti-terrorism law or similar law that prohibits us from doing business with Franchisee or the Owner;

**16.1.16** If Franchisee breaches a material provision of this Agreement that is not, by its nature, curable or that goes to the essence of the Agreement;

**16.1.17** If you do not achieve the prescribed minimum score or standard on two consecutive assessments or on three or more assessments in any five (5) year period under Section 6.21;

**16.1.18** If you fail to maintain the insurance coverage required by Section 9, or fail to provide satisfactory evidence of insurance to us within forty-eight (48) hours of our request;

**16.1.19** If you fail to contact a customer within forty-eight (48) hours after receiving a customer complaint, or fail to resolve to our satisfaction any customer complaint in the manner and within the timeframe set forth in the Brand Standards Manuals, and you do not correct such failure within seven (7) days after we deliver written notice to you;

**16.1.20** If you fail to attend our annual convention for two (2) consecutive years;

**16.1.21** If the business license for, or any other permit or license required for the operation of, the Franchised Business is suspended or revoked;

**16.1.22** If you fail to conduct and keep records of a satisfactory background check on any employee as may be required by us prior to his/her hire and on a regular basis, and you fail to cure the default within 10 days after we deliver written notice to you;

**16.1.23** If you cure a default after written notice from us and the same default occurs again within one (1) year, whether or not cured after notice; or

**16.1.24** If you fail on three (3) or more separate occasions within any period of eighteen (18) months to submit when due reports or other data, information or supporting records, or to pay when due any amounts due to us or otherwise comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you.

**16.2.** Termination for Non-Payment. If you fail to pay any monies owed to us, our affiliates or a third party supplier within seven (7) days after receipt of notice of default from us, this Agreement will terminate at the end of the 7-day period without further notice from us.

**16.3.** Termination Following Expiration of Cure Period. Except as provided in Sections 16.1 and 16.2 and elsewhere in this Agreement, we can terminate this Agreement only by giving you written notice of termination stating the nature of the default, at least thirty (30) days before the effective date of termination. If the default is not cured within the thirty (30) day period (or such longer period as applicable law may require) this Agreement will terminate without further notice to you, effective at the end of the cure period. Any material failure to comply with the requirements imposed by this Agreement (as supplemented by the Brand Standards Manuals) will be a default under this Section 16.3.

**16.4.** Cross-Default. We have the right to treat a default under any other agreement that you or an affiliate have with us or an affiliate as a default under this Agreement, subject to any applicable provisions for notice and cure set forth in the other agreement. For purposes of this section, "**affiliate**" means a person or business entity controlling, controlled by, or under common control with Franchisee or Franchisor, as applicable.

**16.5.** Cross-Guarantee. In the event Franchisee or Franchisee's affiliate now holds or later acquires any interest in a Franchised Business other than the Franchised Business franchised under this Agreement, Franchisee shall unconditionally guarantee full performance and discharge of all of the franchisee's obligations under the franchise agreement for such other Franchised Business, including without limitation the payment of all royalty fees, advertising fees, and other obligations.

**16.6.** Pre-Termination Options of Franchisor. Prior to the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliates or fail to comply with any term of this Agreement, then in addition to any right we may have to terminate this Agreement or to bring a claim for damages, we will have the right to take the actions set out below and continue them until you have cured the default to our satisfaction. The taking of any of the actions permitted in this Section 16.6 will not suspend or release you from any obligation that would otherwise be owed to us or our affiliates under the terms of this Agreement. We may:

**16.6.1** Remove the listing of the Franchised Business from all advertising published or approved by us;

**16.6.2** Prohibit you from attending any meetings or seminars held or sponsored by us or taking place on our premises;

**16.6.3** Charge you the default Royalty Fee rate in Section 7.6 of this Agreement;

**16.6.4** Suspend access to the Call Center, the Franchisee Portal, and any technology systems we provide to you; and/or

**16.6.5** Suspend services provided to you by us or our affiliates under this Agreement, including but not limited to inspections, training, marketing assistance, and the sale of products and supplies.

**16.7.** Step In Rights. In addition to our right to terminate this Agreement, and not in lieu of such right, or any other rights we may have against you, upon a failure to cure any default within the applicable cure period (if any), we have the right, but not the obligation, to enter the Franchised Business premises and exercise complete authority with respect to the operation of the Franchised Business (or designate a third party to exercise authority) until such time as we determine that the default has been cured, and you are otherwise in compliance with this Agreement. If we exercise the rights described in this Section, you are required to pay us (or our designee) a fee of up to $500 per day and reimburse us (or our designee) for all costs and overhead, if any, incurred in connection with the operation of your Franchised Business, including, without limitation, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging. If we undertake to operate the Franchised Business pursuant to this Section, you agree to indemnify and hold us (and our designees and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of our operation of the Franchised Business.

**16.8.** Liquidated Damages. If we terminate this Agreement based on your default, you are required to pay us, as liquidated damages, an amount equal to the greater of: (i) two years of Royalty Fees (calculated as your average Royalty Fees per payment period in the year preceding the termination of this Agreement, multiplied by the number of payment periods occurring in a two-year period); or (ii) $100,000 (unless a different minimum is stated in the Brand Appendix). The liquidated damages are in addition to costs and expenses that you may owe us under Section 23 (Disputes).

## 17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

**17.1.** Our Rights to Acquire Approved Location and Franchise Assets. Upon expiration or termination of this Agreement under any circumstances, you are required to:

**17.1.1** At our request, assign to us your interest in the lease or sublease for the Approved Location (or provide us with a commercially reasonable lease if you own the Approved Location). If we elect not to exercise our option to acquire the lease, you are required to make modifications or alterations to the Approved Location as necessary to comply with Section 17.2 and to distinguish the Approved Location from that of a Franchised Business.

**17.1.2** At our request, sell to us such of the furnishings, fixtures, vehicles, equipment, and signs of the Franchised Business as we may designate, at fair market value, and such of the inventory and supplies on hand as we may designate, at fair market wholesale value. If the parties cannot agree on the price of any such items within thirty (30) days, we will appoint an independent appraiser, and the appraiser's determination will be final. Franchisor and Franchisee will each pay one-half of the appraiser's fees and costs. We will have thirty (30) days after receipt of the appraiser's determination to decide whether to proceed with the purchase. If we exercise our option to purchase any items, we will have the right to set off any amount due us or our affiliate from you against any payment for the items.

**17.1.3** At our request, provide us with a copy of each customer agreement for the Franchised Business and any related information we request, and provide us with all other information and access necessary for us (or our designee) to continue servicing the customer and related business relationships within three (3) days from our request at no cost to us (since the Customer Data is our property). To this end, each customer agreement must include a clause providing us the unconditional right (but not an obligation) to assume (directly or through a designee) the customer agreement upon the termination or expiration of this Agreement, including

all of your rights and obligations thereunder that arise from and after such assumption. Upon the expiration or termination of this Agreement, you agree to facilitate our conversations with customers to ensure an orderly transition of the business operations. You agree to pay over to us (or our designee) any amounts (or a pro rata portion of any amounts) paid to you by your customers for services that you have not yet performed.

We can exercise any or all of our options under Sections 17.1.1, 17.1.2 and 17.1.3: (a) within thirty (30) days after the expiration of the Agreement Term, in the case of expiration of this Agreement; and (b) in the case of termination of this Agreement, at any time between the date of delivery of written notice of termination and thirty (30) days after the effective date of termination (or after the arbitration or court ruling upholding the termination, if termination is contested). We may assign these options to another person or entity. To preserve the value of these options, we may issue to you, and you are required to comply with, written instructions to refrain from, delay, or reverse any of the actions required of you under Section 17.2.

**17.2.** De-identification. Unless we have instructed you otherwise under Section 17.1.3, upon termination or expiration of this Agreement under any circumstances, you are required to:

**17.2.1** Cease to operate the Franchised Business, withdraw all advertising that can be canceled, remove from the Approved Location and from service vehicles all signs, graphics, and other items that display the Marks, and make any other changes that we request to dissociate yourself, the Approved Location, and the former Franchised Business from the System;

**17.2.2** Either permanently deactivate or, at our request, transfer to us all domain name registrations and other accounts, profiles, pages, usernames, and registrations by which you associate the Franchised Business with the Brand online or in any mobile network or other electronic marketing or communications channel, including but not limited to any social media, blog, messaging system, email domain, listserv, directory, or smart phone app, whether or not we authorized the particular usage or channel. If you do not voluntarily transfer these domain names, accounts, profiles, pages, usernames, and registrations, the registrars and hosts of any such electronic marketing or communications channels may accept this Agreement as evidence of our exclusive rights in the domain names, accounts, profiles, pages, usernames, and registrations and of our authority to direct their transfer on your behalf. When the domain names, accounts, profiles, pages, usernames, and registrations are transferred, all hosted content will also be transferred to us, including all data housed on the electronic marketing and communications channels as well as all members, friends, contacts and customers who are linked to the accounts or sites;

**17.2.3** Cease to use the Confidential Information (including the Brand Standards Manuals, Customer Data and Business Data), the Marks, the Works, and all other distinctive elements associated with the System, and return all materials in your possession or control, in any medium, that contain Confidential Information, bear any of the Marks, or constitute Works;

**17.2.4** Cancel any assumed name registration that contains any element or variation of the Marks, and furnish evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement;

**17.2.5** Cease using the telephone number(s) of the Franchised Business, notify your telephone company and all listing agencies of the termination of your right to use the telephone numbers and listings for the Franchised Business, and transfer those number(s) and listings to us or our designee. If you do not voluntarily transfer these numbers and listings, we will present the signed copy of Appendix D to the telephone company and all listing agencies as evidence of our exclusive rights in the telephone numbers and directory listings and of our authority to direct their transfer on your behalf;

**17.2.6** Return to customers (or if we request, to us) all items, including keys, in your possession which relate to that particular customer;

**17.2.7** Not directly or indirectly represent yourself to the public or hold yourself out as a present or former franchisee of the Brand; and

**17.2.8** Not use any reproduction, counterfeit, copy, or colorable imitation of the Marks or the Works in connection with any other business that, in our opinion, is likely to cause confusion, mistake, or deception or to dilute our and/or our affiliates' rights in and to the Marks and the Works. You must not use any designation of origin or description or representation that falsely suggests or represents an association or connection with us.

You hereby appoint us as your attorney-in-fact to carry out the requirements of this Section 17.2 if you fail to do so within a reasonable time, which need not be more than fifteen (15) days. You agree that we will have the right to enter the Approved Location and to contact your landlord and other third parties to make any required changes that you fail to make. You agree to reimburse us on demand for any costs that we incur to carry out your obligations.

**17.3.** Continuing Obligations. After termination or expiration of this Agreement under any circumstances, you will remain liable to us for certain obligations. Among other things, you are required to:

**17.3.1** Promptly pay all sums owing to us and our affiliates;

**17.3.2** Permit access to and examination of books and records as provided in Section 8 to determine any amounts due;

**17.3.3** Protect the Confidential Information as provided in Section 13;

**17.3.4** Comply with the post-term restrictions on competition in Sections 14.2 and 14.3; and

**17.3.5** Indemnify us as provided in Section 20.

## 18. BUSINESS ENTITY REQUIREMENTS

**18.1.** Ownership Information. Franchisee and each Owner represents and warrants that the ownership information on the Data Sheet is correct and complete as of the Agreement Date and will not be changed without first obtaining our consent as required by Section 15. You are required to maintain a current list of all stockholders, general partners, limited partners, members, or other direct and indirect beneficial owners (as applicable) and furnish the list to us upon request. If any Owner is a business entity, you are required to provide all information we request concerning that business entity and its owners. Every individual or entity that owns a direct or indirect equity interest of 5% or greater in Franchisee is required to guarantee Franchisee's performance of this Agreement by executing the Personal Guarantee attached to this Agreement.

**18.2.** Governing Documents. At our request, you are required to furnish us with copies of Franchisee's articles of incorporation, bylaws, partnership agreement, certificate of formation, limited liability company operating agreement, stock certificates, corporate minutes, or other governing documents, as applicable. You are required to give us at least thirty (30) days prior written notice of any proposed amendments to your governing documents. Your governing documents must provide at all times that your activities are confined exclusively to developing and operating Franchised Businesses. If any controlling Owner is a business entity, you are required to provide similar information concerning that business entity as we may request.

**18.3.** Control Arrangements. Any voting trust, management agreement, or other arrangement affecting the power to direct and control the affairs of Franchisee requires our prior written consent. You are required to furnish any information and documentation that we may request concerning a proposed control arrangement.

**18.4.** No Use of Marks in Corporate or Legal Name. Without limiting any of the requirements in Section 11.3 above, you may not use any of the Marks as part of your corporate or legal name.

## 19. RENEWAL

**19.1.** Renewal Term and Conditions. You will have the option to continue the franchise relationship for one (1) additional term of ten (10) years, subject to this Section. We will require you to satisfy the following requirements as a condition of renewing the franchise relationship with us:

**19.1.1** You are required to give us written notice of your desire to renew not less than six (6) months and not more than twelve (12) months before the Expiration Date;

**19.1.2** You must not be in default of this Agreement or any other agreement with us, our affiliates, or our approved vendors at the time you give the notice in Section 19.1 or during the remainder of the expiring term;

**19.1.3** You are required to have a good record of customer service and of compliance with Brand Standards and your contractual obligations to us;

**19.1.4** You are required to be on good terms with us, including but not limited to having a good working relationship for day-to-day operations and not being in litigation or other adversarial legal proceedings with us;

**19.1.5** At our option, you will sign the then-current franchise agreement being offered to new franchisees of the Brand, except that we may or may not include a further renewal option (the **"Successor Franchise Agreement"**). The terms of the Successor Franchise Agreement may differ substantially from the terms of this Agreement, including increased fees, new fees, reconfiguration of the Territory, and higher Minimum Performance Requirements. Personal guarantees will be required per our then-current policy and our other standard documents will be required;

**19.1.6** You are required to pay us the renewal fee specified in the Brand Appendix;

**19.1.7** Franchisee and all Owners are required to sign a general release, in a form we prescribe, of any and all claims against us, our affiliates, and our officers, directors, shareholders and employees;

**19.1.8** The Key Person and any employees we designate are required to successfully complete any additional or refresher training courses that we may require;

**19.1.9** You are required to demonstrate that you have the right to remain in possession of the Approved Location for the full renewal term;

**19.1.10** You are required to remodel, refurbish, renovate (including without limitation, as to any upgrading or refurbishing of vehicles used in the Franchised Business as may be requested by us) and/or re-equip the Franchised Business and premises to conform to our then-current Brand Standards for new Franchised Businesses before the end of the expiring term or obtain our approval of arrangements to complete the work on a schedule satisfactory to us; and

**19.1.11** The computer system and vehicle(s) used in operation of the Franchised Business must be upgraded as necessary to meet our then-current Brand Standards.

**19.2.** Your Failure to Act. Your failure to give timely notice of your desire to renew will be deemed an election to decline the option in Section 19.1. IN FRANCHISOR'S SOLE DETERMINATION, FRANCHISEE MAY BE DEEMED TO HAVE IRREVOCABLY DECLINED TO CONTINUE THE

FRANCHISE RELATIONSHIP IF FRANCHISEE FAILS TO SIGN AND RETURN TO FRANCHISOR THE SUCCESSOR FRANCHISE AGREEMENT AND OTHER DOCUMENTS REQUIRED BY FRANCHISOR WITHIN THIRTY (30) DAYS AFTER THEIR DELIVERY TO FRANCHISEE, OR FAILS TO COMPLY IN ANY OTHER WAY WITH THE PROVISIONS OF THIS SECTION 19.

**19.3.** Holding Over. If Franchisee does not sign a Successor Franchise Agreement by the Expiration Date and continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of Franchisor, this Agreement may be treated either as (i) expired as of the Expiration Date, with Franchisee then operating without a franchise to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

## 20. INDEMNIFICATION

You agree to indemnify Franchisor, its affiliates, and their respective past, present, and future officers, directors, shareholders, employees, and agents (collectively, **"Protected Parties"**) for, and at our option defend the Protected Parties against: (i) any claims (whether or not by a third party) arising directly or indirectly from, as a result of, or in connection with your activities under this Agreement (collectively, **"Claims"**); and (ii) any liabilities, damages, losses, and expenses the Protected Parties incur as a result of such Claims, including but not limited to attorneys' fees, costs of investigation, settlement costs, fines, civil penalties, and interest charges (collectively, **"Expenses"**). To the extent permitted by law, this indemnity includes Claims and Expenses alleged to be caused by the negligence of the Protected Parties, unless (and then only to the extent that) the Claim or Expense is finally determined by a court to have been caused solely by the gross negligence or willful misconduct of the Protected Parties. With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect any of the Protected Parties, the Protected Parties will have the right, but no obligation, to: (i) choose counsel; (ii) direct, manage, and control the handling of the matter; and (iii) settle any Claim on behalf of the Protected Parties. Your obligations under this Section are not limited by the amount of your insurance coverage. This Section will survive the expiration or termination of this Agreement.

## 21. NOTICES

All notices related to this Agreement are required to be in writing and are required to be delivered in person or sent by certified mail, by national commercial delivery service, or by other written or electronic means which affords the sender reliable evidence of delivery or attempted delivery, to the address shown in the Data Sheet, in the case of Franchisee, or to Authority Brands, Inc., 7120 Samuel Morse Drive, Suite 300, Columbia, MD 21046, Attn: Legal Department, in the case of Franchisor, unless and until a different address has been designated by written notice to the other party. For the avoidance of doubt, our delivery of notice to the business email address that we have on file for you will constitute effective notice unless we receive a non-delivery

message. This Section does not apply to changes to the Brand Standards Manuals or any written instructions that we furnish to you relating to operational matters.

## 22. GENERAL PROVISIONS

**22.1.** Notice of Suit. You are required to notify us promptly of any legal proceeding or any order of a court or government agency that may adversely affect the operation or financial condition of the Franchised Business.

**22.2.** Independent Contractor. Nothing in this Agreement is intended to make Franchisor or Franchisee an agent, legal representative, subsidiary, joint venturer, partner, or employee of the other for any purpose. This Agreement does not create a fiduciary relationship between you and us. Nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf or to incur any debt or other obligation in our name. We will not assume liability for any such action or for your acts or omissions or any claim or judgment against you. You are required to hold yourself out to the public as an independent contractor operating under this Agreement.

**22.3.** Public Notice of Independent Status. Franchisee is required to conspicuously identify itself by its own company name in all dealings with customers, landlords, vendors, contractors, reporters, public officials, and employees and on all business cards, stationery, advertising, payroll forms, purchase orders and other materials.

**22.4.** Severability. If a court or government agency determines that any provision of this Agreement is invalid or contrary to applicable law, the invalidity will not impair the operation of any other provision of this Agreement that remains otherwise intelligible. The latter will continue to be given full force and effect and the invalid provision(s) will be deemed not to be a part of this Agreement.

**22.5.** No Implied Waiver. No failure to exercise any right reserved to us in this Agreement or to insist on your strict compliance with any obligation or condition in this Agreement, and no custom or practice of the parties, will constitute a waiver of our right to exercise any right or to demand your compliance with this Agreement. Our waiver of any particular default will not affect or impair our rights with respect to any subsequent default. Our delay or forbearance in exercising any right arising out of your breach or default will not prevent us from exercising the right, declaring any subsequent breach or default, or terminating this Agreement.

**22.6.** No Implied Third Party Beneficiaries. Nothing in this Agreement is intended to confer any rights or remedies on any person or legal entity other than Franchisee and us.

**22.7.** No Implied Consent. Whenever this Agreement requires our prior approval or consent, you are required to make a timely written request, and the approval or consent must be obtained in writing and signed by one of our officers. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent or suggestion in connection with this Agreement.

**22.8.** Survival of Obligations. All obligations which expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

**22.9.** Our Business Judgment. Except as otherwise expressly provided in this Agreement, whenever we exercise a right and/or discretion to take or withhold an action, we can make our decision or exercise our discretion based on our judgment of what is in the best interests of the Brand at the time, even though (a) there may have been alternative decisions or actions that could have been taken; (b) our decision or the action taken promotes our own financial interest; or (c) our decision or the action may apply differently to different

franchisees. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a duty of good faith and fair dealing in this Agreement, we and you agree that the duty does not encompass any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

**22.10.** Relationship to Other Businesses of Franchisor and its Affiliates. In fulfilling its obligations to Franchisee, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor has the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other businesses in which Franchisor and its affiliates have an interest, and on Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with Franchisor's affiliates and the businesses in which they have an interest; and/or (iii) to introduce products, processes, or operational equipment used by the System into the franchised systems of Franchisor's affiliates, and to allocate new products and/or developments between and among the franchised systems, as Franchisor and its affiliates see fit. Franchisee understands and agrees that all obligations of Franchisor under this Agreement are subject to this section, and that nothing in this section shall affect in any way Franchisee's obligations under this Agreement.

**22.11.** Right to Information. You consent to us obtaining, using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose whatsoever or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by us or our affiliates (or disclosed to us or our affiliates) in accordance with this Agreement.

**22.12.** Entire Agreement. This Agreement and its Appendices constitute the entire agreement between Franchisor and Franchisee and the Owners concerning the Franchised Business. It supersedes all prior agreements, negotiations, representations, and correspondence concerning the same subject matter, except that nothing in this Agreement is intended to disclaim any representations made in any Franchise Disclosure Document that you received from us in connection with this Agreement. No amendment, change, or variance from this Agreement will be binding unless agreed to in writing and signed by authorized representatives of each party.

**22.13.** Amendment of Prior Agreements. In order to enhance consistency and quality of operation, performance, dispute resolution and other matters, we amend our standard Franchise Agreement from time to time. As a result, this Agreement may be different from other Brand franchise agreements that Franchisee or Franchisee's affiliates may have signed in the past and may contain revised provisions regarding, among other things, modifications to the System, manner of payment of fees and late fees, duties of franchisee, protection of trademarks, status and protection of Manuals and Confidential Information, technology requirements, advertising, insurance, accounting and records, transfers, default and termination, obligations on termination, franchisee covenants, taxes, indemnification, obligations to defend, approvals and waivers, notices, construction of agreement and applicable law. To cooperate with us in the achievement of these goals and as a condition of the grant of an additional franchise, Franchisee agrees that all of Franchisee's or its affiliates' existing Brand franchise agreements with Franchisor or its affiliates are amended to match the provisions of this Agreement (if the existing franchise agreements do not already include these provisions), except with respect to the royalty fee rate, required marketing contributions and spending, other fees for which amounts are specified, territory description, Approved Location, contract term, renewal conditions, and transfer conditions set out in the prior agreements, which will remain unchanged. FRANCHISEE ACKNOWLEDGES THAT THIS SECTION AMENDS ALL OF FRANCHISEE'S EXISTING FRANCHISE AGREEMENTS WITH FRANCHISOR AND THAT THE AMENDMENT WILL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT.

**22.14.** Material Modification – for California Locations Only. If Franchisee or Franchisee's affiliates previously entered into one or more franchise agreements with Franchisor for a Franchised Business in

California, Section 22.13 may constitute a material modification of those existing franchise agreements under California law. If that is the case, and if Franchisee notifies Franchisor in writing within five (5) business days after signing this Agreement that Franchisee (or Franchisee's affiliate, as applicable) rescinds this modification of the existing franchise agreement(s) for the Franchised Business in California, this Franchise Agreement will be null and void and Franchisee will not have the right to develop a Franchised Business under this Franchise Agreement.

**22.15.** Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original. Any signature by electronic signature, facsimile or scanned PDF shall be deemed an original signature. This Agreement shall be effective only upon the receipt of countersignature by us.

## 23. DISPUTES

**23.1.** Governing Law. This Agreement and the relationship between Franchisor and Franchisee and the Owners is governed by the laws of the State of Maryland, except that if a provision of this Agreement would not be enforceable under the laws of Maryland, and if the Franchised Business is located outside of Maryland and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then that provision will be governed by the laws of the state in which the Franchised Business is located. In the event of any conflict of law question, the laws of Maryland will prevail, without regard to the application of Maryland conflict-of-law rules. This Section 23.1 is not intended to subject this Agreement or our relationship with you to any Maryland statute or regulation that would not apply by its own terms without considering this Section.

**23.2.** Mandatory Arbitration. Except as set forth in Sections 23.3 and 23.4 below and in subsection 23.2.5, any claim or dispute arising out of or relating to this Agreement (including but not limited to any claim that the Agreement or any of its provisions is invalid, illegal, or otherwise voidable or void), the relationship between you, your owners and affiliates and us or our affiliates, or your operation of the Franchised Business, shall be submitted to JAMS for mandatory, final and binding arbitration. The arbitration will be conducted in accordance with the Federal Arbitration Act, 9 U.S.C., Section 1, *et seq.*, and the commercial arbitration rules of JAMS in effect at the time of filing of the demand for arbitration (the "**JAMS Rules**"), except as the JAMS Rules may be modified by the following:

**23.2.1** The seat of arbitration will be the JAMS office closest to Columbia, Maryland, and all arbitration hearings shall take place at that office. We have the right to designate headquarters for the Brand at a location other than Columbia, Maryland and to substitute that location for Columbia, Maryland for purposes of this section.

**23.2.2** The arbitration will be conducted, heard and decided by one (1) arbitrator ("**Arbitrator**") who is mutually agreeable to the parties. If the parties have not agreed on the Arbitrator within thirty (30) days after filing of the arbitration demand with JAMS, the Arbitrator shall be appointed in accordance with the JAMS Rules.

**23.2.3** The Arbitrator shall not entertain or permit any class or consolidated proceeding.

**23.2.4** The administrative fees of JAMS and the Arbitrator's fees will be split equally between Franchisor and Franchisee.

**23.2.5** If either party fails to pay its share of any fee required by JAMS to proceed with administration of the arbitration, and if the other party has paid its own share of the fee, the Arbitrator shall enter a default judgment in favor of the latter party. If an Arbitrator has not yet been appointed at the time of the non-

payment of the required fee, the party that has paid its own share of the fee shall have the option to have a default judgment entered in its favor or to proceed in court on the claims submitted to arbitration.

**23.2.6** The Arbitrator will not have the authority to add to, delete, or modify the terms of this Agreement. All findings, judgments, decisions and awards of the Arbitrator will be limited to the claims set forth in the arbitration demand and any counterclaims, as they may be amended, and the Arbitrator will not have the authority to decide any other claims. The Arbitrator will have the power to decide any or all of the issues, claims and defenses presented in the arbitration through summary judgment, summary disposition, or dismissal proceedings without a full evidentiary hearing or witness testimony, as long as all parties are permitted to submit memoranda and affidavits and have oral argument, either in person or by telephone, if the Arbitrator determines that oral argument would assist in the decision making process. The Arbitrator will not have the right or authority to award punitive damages to any party. All findings, judgments, decisions and awards by the Arbitrator will be in writing and will be made within sixty (60) days after the arbitration hearings have been completed, and will be final and binding on all parties in the arbitration.

**23.2.7** The written decision of the Arbitrator will be deemed to be an order, judgment and decree and may be entered as such in any court of competent jurisdiction.

**23.2.8** The decision of the Arbitrator will have no collateral estoppel effect with respect to a controversy with any person or entity who is not a party to the arbitration proceeding.

**23.3.** Provisional or Declaratory Relief. Nothing in Section 23.2 or elsewhere in this Agreement prohibits Franchisor's right to seek a restraining order, preliminary injunction, specific performance or declaratory relief in court, under the applicable court rules, against conduct or threatened conduct for which no adequate remedy at law may be available or which Franchisor believes may cause Franchisor irreparable harm. Franchisor may have such relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law. Franchisee and each of its Owners acknowledges that any violation of (without limitation) Sections 11, 12, 13, 14, 15 or 17 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Franchisee and each of its Owners consents to the issuance of an injunction at Franchisor's request (without posting a bond or other security) prohibiting any conduct in violation of any of those Sections. Franchisee's sole remedy in the event of the entry of specific performance or injunction order will be the dissolution of the order, if warranted (all claims for damages by reason of the wrongful issuance of any such order being expressly waived by Franchisee). Franchisee agrees that the existence of any claims Franchisee or any of its Owners may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement of Sections 11, 12, 13, 14, 15 or 17.

**23.4.** Disputes Not Subject to Mandatory Arbitration. Notwithstanding Section 23.2, Franchisor shall have the option to submit to a court any of the following actions: to collect fees due under this Agreement; for injunctive or other relief as described in Section 23.3; to protect our intellectual property, including the Marks, Confidential Information, and trade secrets; to terminate this Agreement for a default; and to enforce the post-term obligations in Section 17 of this Agreement. Notwithstanding anything in this Agreement, in the JAMS Rules, or any provision of law, the determination of whether a dispute or controversy filed in a court is subject to arbitration shall be made by the court, not by an arbitrator.

**23.5.** Time Limit on Filing. Except for claims arising from Franchisee's non-payment or underpayment of amounts Franchisee owes Franchisor or from performance or non-performance of Franchisee's obligations arising upon expiration or termination of this Agreement, any claim or action arising out of or relating to this Agreement or the relationship between us and Franchisee and the Owners will be barred unless submitted to arbitration or filed in court and served within two (2) years from the date the complaining party knew or should have known of the facts giving rise to such claim.

**23.6.** Venue for Litigation. Franchisee and the Owners are required to file any lawsuit against us only in the federal district court for the district encompassing Columbia, Maryland (or in the closest state court to Columbia, Maryland, if the federal court lacks subject matter jurisdiction). We may file a lawsuit against Franchisee or the Owners in the federal or state court for Columbia, Maryland or in the federal or state court where the Franchised Business is located. We have the right to designate headquarters for the Brand at a location other than Columbia, Maryland and to substitute that location for Columbia, Maryland for purposes of this section. The parties irrevocably submit to the jurisdiction of such courts and waive all objections to personal jurisdiction and venue for purposes of carrying out this provision.

**23.7.** Waiver of Jury Trial. We, you, and the Owners irrevocably waive trial by jury in any action, proceeding, or counterclaim.

**23.8.** Waiver of Exemplary Damages. Franchisee and the Owners, on the one hand, and Franchisor on the other, waive any right to or claim of punitive or exemplary damages against the other, except that we do not waive our right to: (i) statutory, punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, or unauthorized disclosure of confidential information or trade secrets; or (ii) indemnification from Franchisee under Section 20 for any such damages claimed or awarded against Protected Parties.

**23.9.** Class Action Waiver. TO THE EXTENT PERMITTED BY LAW, FRANCHISEE AND THE OWNERS WAIVE THE RIGHT TO SEEK CERTIFICATION OF A CLASS IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM AGAINST US.

**23.10.** Costs and Legal Fees. In connection with any failure by Franchisee to comply with this Agreement, regardless of whether there is any legal proceeding to enforce the terms of this Agreement, Franchisee will reimburse Franchisor, upon demand, for the costs and expenses incurred by Franchisor as a result of such failure and Franchisor's enforcement of the terms of this Agreement. Franchisor's costs and expenses include, without limitation, accountants', attorneys', attorneys' assistants and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel expenses. If Franchisee initiates a legal proceeding against Franchisor, and if Franchisee does not prevail in obtaining the relief Franchisee was seeking in such legal proceedings, then Franchisee will reimburse Franchisor for the costs and expenses incurred by Franchisor as a result of such legal proceedings, including, without limitation, accountants', attorneys', attorneys' assistants and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel expenses, whether incurred prior to, in preparation for, in contemplation of, or in connection with such legal proceedings. However, in case of any conflict between this Section and Section 23.2.4 or 23.2.7 above, Section 23.2.4 or 23.2.7 will take precedence. This section will survive termination or expiration of this Agreement.

**23.11.** Remedies are Cumulative. Except as otherwise provided in this Section 23, no right or remedy under this Agreement is exclusive of any other right or remedy.

| **FRANCHISOR:** | **FRANCHISEE:** |
| --- | --- |
| **THE CLEANING AUTHORITY FRANCHISING SPE LLC** | **[PRINT NAME OF COMPANY]** |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

# PERSONAL GUARANTEE

As an inducement to **The Cleaning Authority Franchising SPE LLC** (**"Franchisor"**) to sign a Franchise Agreement (the **"Agreement"**) with _____ (**"Franchisee"**), the undersigned individuals (collectively, the **"Guarantors"**), jointly and severally, unconditionally guarantee to Franchisor, its affiliates, and their successors and assigns (collectively, the **"Franchisor Group"**) that all of Franchisee's obligations under the Agreement and under other agreements or arrangements between Franchisee and the Franchisor Group will be punctually paid and performed.

1. Guarantee. Upon demand by Franchisor, the Guarantors will immediately make each contribution or payment required of Franchisee under the Agreement and under other agreements or arrangements between Franchisee and the Franchisor Group. Each Guarantor waives any right to require the Franchisor Group to: (a) proceed against Franchisee or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee or any other Guarantor. Without affecting the obligations of the Guarantors under this Guarantee, the Franchisor Group may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution or payment and agree to be bound by any and all such amendments and changes to the Agreement.

2. Indemnity. The Guarantors agree to hold harmless, defend and indemnify the Franchisor Group against any and all losses, damages, liabilities, costs, and expenses (including attorneys' fees, costs of investigation, court costs, and arbitration fees and expenses) arising out of or in connection with any failure by Franchisee to perform any obligation under the Agreement or any other agreement between Franchisee and the Franchisor Group.

3. Other Personal Obligations. The Guarantors agree to be bound personally by all obligations of the Franchisee in the Agreement, including but not limited to non-compete restrictions, confidentiality provisions, governing law and dispute resolution provisions, and restrictions on sale or transfer of interest in Franchisee or the Franchised Business. Except as expressly authorized by the Agreement, the Guarantors may not make use of any of the intellectual property rights licensed under the Agreement. The Guarantors may not disclose to any third party or make use of any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of training they may have received from Franchisor, their involvement in the business, or their ownership interest in Franchisee.

4. Survival of Obligations. Upon the death of a Guarantor, the Guarantor's estate will be bound by this Guarantee, but only for obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

**GUARANTOR:**

Printed Name: _____

Signature: _____

Date: _____

**GUARANTOR:**

Printed Name: _____

Signature: _____

Date: _____

*[This document is to be used when: (a) a married individual signs a Franchise Agreement, personal guarantee, or other agreement containing financial obligations to us; and (b) that individual's spouse is NOT also signing the same agreements.]*

**SPOUSE ACKNOWLEDGMENT**

My name is _____.

I am the spouse of _____.

I am aware that:

- my spouse is investing in a THE CLEANING AUTHORITY franchise;
- in connection with the franchise, my spouse is signing a Franchise Agreement, personal guarantee, and/or other documents that involve financial obligations to The Cleaning Authority Franchising SPE LLC and its affiliates (the "**Franchise Documents**"); and
- The Cleaning Authority Franchising SPE LLC and its affiliates are relying on all assets of my spouse, including jointly owned marital property, in accepting my spouse's obligations under the Franchise Documents.

I understand the financial obligations undertaken by my spouse in connection with the franchise, and that the Franchise Documents are being signed for the benefit of, and will be binding on, my marital community.

I understand that this Spouse Acknowledgment does not subject my separate, non-marital property to my spouse's financial obligations under the Franchise Documents.

I understand that my spouse is bound personally by the following provisions of the Franchise Agreement, and I agree to be bound by them as well: (i) the confidentiality and non-disclosure covenants in Section 13; (ii) the non-competition covenants in 14; and (iii) the governing law and dispute resolution provisions in Section 23.

By: _____

Name: _____

Date: _____

**APPENDIX A TO FRANCHISE AGREEMENT**
**DATA SHEET**

| SECTION REFERENCE | SUBJECT | FRANCHISEE'S INFORMATION |
|---|---|---|
| Section 1.15 | Key Person | [**insert name**] |
| Section 1.17 | Opening Deadline | [**insert date**] |
| Section 1.20 | Territory Definition | See the attached zip code chart. |
| Section 7.1 | Territory Fee and Franchise Fee | The Territory Fee is: [**insert amount**]<br><br>The Franchise Fee is: [**insert amount**]<br><br>The Total Amount of the Territory Fee and the Franchise Fee is: [**insert amount**]<br><br>(The Territory Fee is calculated by multiplying the [insert number of designated households in Territory] designated households in the Territory by $0.75) |
| Section 18.1 | Ownership Information | See below. For any Owner that is a business entity, attach separate page disclosing the same information for that entity. |
| Section 21 | Address for Legal Notice | [insert Franchisee's legal address] |

**Name of Franchisee:** _____

Type of Business Entity (check one): [ ] Limited Liability Company
[ ] Corporation (C Corp or S Corp)
[ ] Limited Partnership
[ ] Other_____

State in which organized: _____

Owner Name: Ownership Percentage:

_____ _____%

_____ _____%

_____ _____%

List the following below: (a) for a corporation, all Officers and Board Directors; or (b) for a limited liability company, all Managers and/or Members.

Name: _____ Position: _____

Name: _____ Position: _____

Name: _____ Position: _____

## APPENDIX B TO FRANCHISE AGREEMENT

## BRAND APPENDIX (ENTERPRISE MARKET)
### THE CLEANING AUTHORITY

The Franchised Business will specialize in cleaning the inside of residential homes similar to a maid service ("**Core Services**"), but may also include carpet cleaning, window cleaning, furniture cleaning, the cleaning of commercial properties and businesses, and any other type of cleaning service to any customer ("Non-Core Services"). You are prohibited from offering commercial cleaning and other Non-Core Services unless you do so under the Marks and pay us the Royalty Fee on all revenue attributable to your provision of Non-Core Services.

| SECTION REFERENCE | SUBJECT | APPLICABLE TERM |
|---|---|---|
| Section 3 | Expiration Date | Fifteenth (15th) Anniversary of the Agreement Date |
| Section 4.1 | Business Outfitting Fees | Not Applicable as of Agreement Date |
| Section 6.6 | Call Center Fee | Currently, $1.75 per call with a new prospective customer and $2.50 for any other call. Due on a weekly basis, payable in the manner we specify. |
| Section 6.18 | Customer Warranty or Guarantee | See Brand Standards Manual Suite |
| Section 6.19 | Minimum Performance Requirements | Not Applicable as of Agreement Date |
| Section 6.22 | Brand Programs | Proprietary Software:<br>Before commencing use of our proprietary software (currently, TCAIQ), you, the Key Person, your manager(s) and certain employees will be required to accept the terms of use set forth in the online User Agreement. We have the right to modify the User Agreement and the proprietary software in our sole business judgment. |
| Section 6.26 | Legal/Regulatory Requirements | As stated in Section 6.26. |
| Section 7.2 | Royalty Fee | The Base Royalty Fee is six percent (6%) of Gross Revenue (the "**Base Royalty Fee**").<br><br>The Base Royalty Fee applies to the first $600,000 of Gross Revenue during the calendar year. Provided you are not in default under the Agreement or under any agreement with us or our affiliates, we will reduce the Royalty Fee to:<br>(i) five percent (5%) of Gross Revenue with respect to Gross Revenue between $600,000.01 and $1,300,000, and to<br>(ii) four percent (4%) of Gross Revenue with respect to |

| SECTION REFERENCE | SUBJECT | APPLICABLE TERM |
|---|---|---|
| | | Gross Revenue in excess of $1,300,000.01 during the calendar year.<br><br>The rate reverts to the Base Royalty Fee and resets at the start of the next calendar year.<br><br>As of the Agreement Date, the Royalty Fee is due weekly based on Gross Revenue realized in the prior week. We have the right to change the payment period. |
| Section 7.3 | Brand Fund Contribution | The Brand Fund contribution is one percent (1%) of Gross Revenue or $200 per week, whichever is less.<br><br>We can increase the Brand Fund contribution above one percent (1%) of Gross Revenue and/or increase or decrease the $200 weekly cap if fifty percent (50%) or more of the Franchised Businesses agree to the contribution change.<br><br>The Brand Fund contribution will be calculated for the same period and paid in the same manner as the Royalty Fee. |
| Section 7.4 | Technology Fee(s) | **Fee Description** — **Amount**<br><br>Training Software Access Fee — $250.00 (one-time fee due at signing of the Franchise Agreement)<br><br>Software Access Fee — $30.25 per week as of the Agreement Date. Beginning July 1, 2023, the Software Access Fee will increase to $33.25. |
| Section 10.3 | Pre-Opening/Grand Opening Marketing | Local Marketing Fee Deposit<br><br>Simultaneously with the payment of the Franchise Fee and Territory Fee, you are required to pay us an amount equal to fifty percent (50%) of the first thirteen (13) weeks of Local Marketing Fees ("**Local Marketing Fee Deposit**"). The Local Marketing Fee Deposit will be applied towards your first 13 weeks of Local Marketing Fees proportionate to your weekly amounts due.<br><br>See "Local Marketing Program" described below in section 10.4 for more information about our Local Marketing Program and thee Local Marketing Fee. |

| SECTION REFERENCE | SUBJECT | APPLICABLE TERM |
|---|---|---|
| Section 10.4 | Ongoing Local Marketing Spend | Local Marketing Program:<br><br>Simultaneously with signing the Franchise Agreement, you are required to sign the Local Marketing Services Agreement attached to this Brand Appendix. The Local Marketing Services Agreement covers, among other things, the terms for the payment of the "Local Marketing Fee", which is a weekly fee we collect from you for Local Marketing Program services that we (or our designee) provide to you. We will earn revenue and profits from this Program.<br><br>We can replace the Local Marketing Program and require you to pay an amount equivalent to the Local Marketing Fee in one or more other programs that may take its place (e.g., digital), or pay a portion of this amount to another program(s). |
| Section 14.1.1 | "Competing Business" definition | "**Competing Business**" means any business that (i) provides residential, commercial, or other cleaning services or related services or goods, or (ii) grants franchises or licenses to others to operate such businesses, or (iii) is the same or substantially similar in nature or purpose to the Franchised Businesses (other than a "The Cleaning Authority" business operated under a franchise agreement with us). |
| Section 16.8 | Liquidated Damages | As stated in Section 16.8 of the Agreement |
| Section 19.1.6 | Renewal Fee | Not applicable. |

## APPENDIX B TO FRANCHISE AGREEMENT

## BRAND APPENDIX (HOMETOWN MARKET)
### THE CLEANING AUTHORITY

The Franchised Business will specialize in cleaning the inside of residential homes similar to a maid service ("**Core Services**"), but may also include carpet cleaning, window cleaning, furniture cleaning, the cleaning of commercial properties and businesses, and any other type of cleaning service to any customer ("Non-Core Services"). You are prohibited from offering commercial cleaning and other Non-Core Services unless you do so under the Marks and pay us the Royalty Fee on all revenue attributable to your provision of Non-Core Services.

| SECTION REFERENCE | SUBJECT | APPLICABLE TERM |
|---|---|---|
| Section 3 | Expiration Date | Fifteenth (15th) Anniversary of the Agreement Date |
| Section 4.1 | Business Outfitting Fees | Not Applicable as of Agreement Date |
| Section 6.6 | Call Center Fee | Currently, $1.75 per call with a new prospective customer and $2.50 for any other call. Due on a weekly basis, payable in the manner we specify. |
| Section 6.18 | Customer Warranty or Guarantee | See Brand Standards Manual Suite |
| Section 6.19 | Minimum Performance Requirements | Not Applicable as of Agreement Date |
| Section 6.22 | Brand Programs | **Proprietary Software:**<br><br>Before commencing use of our proprietary software (currently, TCAIQ), you, the Key Person, your manager(s) and certain employees will be required to accept the terms of use set forth in the online User Agreement. We have the right to modify the User Agreement and the proprietary software in our sole business judgment. |
| Section 6.26 | Legal/Regulatory Requirements | As stated in Section 6.26. |
| Section 7.2 | Royalty Fee | The Base Royalty Fee is six percent (6%) of Gross Revenue (the "Base Royalty Fee").<br><br>The Base Royalty Fee applies to the first $300,000 of Gross Revenue during the calendar year. Provided you are not in default under the Agreement or under any agreement with us or our affiliates, we will reduce the Royalty Fee to:<br>(i) five percent (5%) of Gross Revenue with respect to Gross Revenue between $300,000.01 and $550,000, and to |

| SECTION REFERENCE | SUBJECT | APPLICABLE TERM |
|---|---|---|
| | | (ii) four percent (4%) of Gross Revenue with respect to Gross Revenue in excess of $550,000.01 during the calendar year. The rate reverts to the Base Royalty Fee and resets at the start of the next calendar year.<br><br>As of the Agreement Date, the Royalty Fee is due weekly based on Gross Revenue realized in the prior week. We have the right to change the payment period. |
| Section 7.3 | Brand Fund Contribution | The Brand Fund contribution is one percent (1%) of Gross Revenue or $200 per week, whichever is less.<br><br>We can increase the Brand Fund contribution above one percent (1%) of Gross Revenue and/or increase or decrease the $200 weekly cap if fifty percent (50%) or more of the Franchised Businesses agree to the contribution change.<br><br>The Brand Fund contribution will be calculated for the same period and paid in the same manner as the Royalty Fee. |
| Section 7.4 | Technology Fee(s) | **Fee Description** — **Amount**<br><br>Training Software Access Fee — $250.00 (one-time fee due at signing of the Franchise Agreement)<br><br>Software Access Fee — $30.25 per week as of the Agreement Date. Beginning July 1, 2023, the Software Access Fee will increase to $33.25. |
| Section 10.3 | Pre-Opening/Grand Opening Marketing | Local Marketing Fee Deposit<br><br>Simultaneously with the payment of the Franchise Fee and Territory Fee, you are required to pay us an amount equal to fifty percent (50%) of the first thirteen (13) weeks of Local Marketing Fees ("**Local Marketing Fee Deposit**"). The Local Marketing Fee Deposit will be applied towards your first 13 weeks of Local Marketing Fees proportionate to your weekly amounts due.<br><br>See "Local Marketing Program" described below in section 10.4 for more information about our Local Marketing Program and thee Local Marketing Fee. |
| Section 10.4 | Ongoing Local | Local Marketing Program |

| SECTION REFERENCE | SUBJECT | APPLICABLE TERM |
|---|---|---|
| | Marketing Spend | Simultaneously with signing the Franchise Agreement, you are required to sign the Local Marketing Services Agreement attached to this Brand Appendix. The Local Marketing Services Agreement covers, among other things, the terms for the payment of the "Local Marketing Fee", which is a weekly fee we collect from you for Local Marketing Program services that we (or our designee) provide to you. We will earn revenue and profits from this Program.<br><br>We can replace the Local Marketing Program and require you to pay an amount equivalent to the Local Marketing Fee in one or more other programs that may take its place (e.g., digital), or pay a portion of this amount to another program(s). |
| Section 14.1.1 | "Competing Business" definition | "**Competing Business**" means any business that (i) provides residential, commercial, or other cleaning services or related services or goods, or (ii) grants franchises or licenses to others to operate such businesses, or (iii) is the same or substantially similar in nature or purpose to the Franchised Businesses (other than a "The Cleaning Authority" business operated under a franchise agreement with us). |
| Section 16.8 | Liquidated Damages | As stated in Section 16.8 of the Agreement |
| Section 19.1.6 | Renewal Fee | Not applicable. |

**ATTACHMENT B-1-1 TO BRAND APPENDIX**

**LOCAL MARKETING SERVICES AGREEMENT – ENTERPRISE MARKET**

This Local Marketing Services Agreement ("**LMSA**") is entered into as of _____ by and between The Cleaning Authority Franchising SPE LLC ("**we**," "**us,**" "**our**" or "**Franchisor**") and _____ ("**you**" or "**Franchisee**").

WHEREAS, Franchisee and Franchisor are parties to that certain Franchise Agreement dated the date hereof (the "**Franchise Agreement**");

WHEREAS, pursuant to the terms of the Franchise Agreement, Franchisee is required to pay for Local Marketing Program services from Franchisor;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1.) Definitions. The term "**Local Marketing Program**" means our advertising of The Cleaning Authority brand, the cleaning services offered under the Marks, and the System, as conducted in your Territory in coordination with our similar advertising program in the territories of other franchisees, and includes the array of local marketing activities and services that we offer at any given time and perform pursuant to this agreement. The activities and services at any given time will include one or more of the following, but may also include other marketing-related activities and services listed here: advertising design, digital marketing for generation of customer leads, digital marketing for generation of customer reviews, tracking of leads, performance analytics, production and printing of marketing pieces, list management, mail management, market studies, strategy and analysis, research and development, platform design, development and integration, shipping and delivery to the United States Postal Service or other carrier, and other marketing-related programs and services as we determine from time to time. For the avoidance of doubt, the Local Marketing Program will only be used to promote The Cleaning Authority businesses.

The terms **"Designated Households"** and "**DHH**" mean the number of designated households in your Territory. A "Designated Household" is a residence with an estimated annual gross income of at least $70,000, except in California, where the estimated annual gross income for a designated household is $85,000. We reserve the right to modify this definition of a "designated household." We determine the number of designated households in a territory by reference to information provided by a third-party data compilation and demographic information service provider that we select.

Capitalized terms used but not defined in this LMSA have the same meaning as in the Franchise Agreement.

2.) Local Marketing Services. We have the right, in light of our marketing expertise and research regarding effective advertising of the System: (a) to formulate and design the Local Marketing Program, including the program options and vendors made available to franchisees from time to time; (b) to develop and control all content for the Local Marketing Program (the "**Content**"); and (c) to determine the uses and distribution of all such Content. We have the right to administer each program, as well as other programs we elect to offer in the future, which may include appointment generation platforms, billboards, radio ads, etc. We can change or end a program at any time and add new programs at any time.

3.) Ownership. You acknowledge and agree that, as between Franchisor and Franchisee, Franchisor owns all right, title and interest in and to any Content created in or for the Local Marketing

Program, including all intellectual property rights therein or appurtenant thereto. Franchisee will not acquire any right, title or interest in the Content or any portion thereof pursuant to this LMSA or otherwise, other than the right to access and use the Content as expressly granted in the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement and this LMSA.

4.) Local Marketing Fee. For our Local Marketing Program services, you agree to pay us or an affiliate we designate a non-refundable fee (the "**Local Marketing Fee**") determined from the following schedule:

| **Enterprise Market** | |
|---|---|
| **No. of Customers** | **Weekly Dollar Amount** |
| 1-100 | [9% of DHH x $0.374] |
| 101-150 | [10% of DHH x $0. 374] |
| 151-200 | [11% of DHH x $0. 374] |
| 201-250 | [12% of DHH x $0. 374] |
| 250+ | [13% of DHH x $0. 374] |

Notwithstanding the foregoing, if your weekly Gross Revenue equals or exceeds the "**Threshold Revenue**" (defined below) for four (4) consecutive weeks and you are not in default of your Franchise Agreement, then the Local Marketing Fee will be the dollar amount stated in the schedule for 1-100 customers. If thereafter your weekly Gross Revenue falls below the Threshold Revenue in any two (2) out of three (3) consecutive weeks (for this purpose, Gross Revenue will be prorated for any week that contains a federal holiday, or is affected by Government Action as described in Section 10 below, the Local Marketing Fee will automatically revert to the amount determined from the schedule. "Threshold Revenue" means weekly Gross Revenue of $25,000.

We reserve the right to designate the timing of payment and to set other policies relating to the Local Marketing Fee, but the fee will continue to be due weekly. For example, we may permit you to: (i) vary the weekly payment, subject to satisfaction of the annual amount required; and/or (ii) allocate the required amount among marketing channels that we offer. If not otherwise designated by us, you must pay the Local Marketing Fee on Wednesday of each week for the prior week (with the week running Sunday through Saturday). You must pay the Local Marketing Fee by electronic funds transfer or such other method as we may designate from time to time. We and our affiliates may earn revenue and profits on products or services we provide and may receive rebates, licensing fees, administrative fees, commissions, or other payments on products and services that third party vendors provide.

5.) Changes to Local Marketing Fee. We may change the Local Marketing Fee based on cost increases related to then-current and anticipated local marketing, promotional and advertising activities and services as determined in our sole discretion.

a. Limitation. Increases in the Local Marketing Fee will not exceed the cumulative annual increase of 4% each calendar year. This paragraph limits the amount of Local Marketing Fee increases but does not limit the number or timing of increases.

b. Notice of increase. We will give you thirty (30) days' advance notice by email (or by other means we determine) for any change to the Local Marketing Fee.

6.) No Representations. We do not represent or warrant that the Local Marketing Program or any individual program will reach a minimum number of persons in your Territory, will reach any specific persons in the Territory, or will produce any particular results for your Franchised Business. We obtain distribution lists and other data from third-party data compilation and demographic information service provider(s) that we and/or our affiliates select. We make no representation or warranty regarding the accuracy of any such lists or other data we use to conduct the Local Marketing Program.

7.) Discontinuation of Local Marketing Program. We have the right, in our sole business judgment, to discontinue the Local Marketing Program in whole or in part. In the event that we discontinue the Local Marketing Program, we will notify the Franchise Advisory Council ("**FAC**") and allow 30 days for feedback from the FAC, which feedback will be advisory only. We will make the final decision but will take into consideration the feedback of the FAC. If the Local Marketing Program is discontinued, your obligation to pay the Local Marketing Fee will cease (or be reduced accordingly if discontinued in part) at that time.

8.) Duration and Termination. The LMSA will remain in effect indefinitely and will automatically terminate upon the expiration or termination of the Franchise Agreement. In addition, we will have the right to terminate the LMSA sooner by written notice if: (i) you are in default under the Franchise Agreement; (ii) you are in default under the LMSA and the default continues for a period of ten (10) days after we deliver written notice of default; or (iii) we discontinue the Local Marketing Program under Paragraph 7 above.

9.) Pre-Termination Options Relating to Local Marketing Program. If you are in default of your obligations under the LMSA or the Franchise Agreement, we may suspend some or all of the Local Marketing Program services without terminating either agreement. This remedy is in addition to any other remedies we may have at law or in equity.

10.) Government Action. If any official action by a governmental agency (such as an evacuation order, curfew, closure order, injunction, order restricting scope of operations, or adoption of laws or regulations) ("**Government Action**") makes or will make operation of the Franchised Business impossible or unlawful, (i) you may submit a written request for approval to suspend the performance of your obligations under this LMSA Amendment, which approval must be in writing from us and will not be unreasonably withheld (in which case we may suspend performance of Local Marketing Services), or (ii) we may suspend Local Marketing Services by written notice (in which case you may suspend payment of the Local Marketing Fee). The affected party's request or notice must describe the Government Action, identify the date it took or will take effect, and include the affected party's good faith estimate of the scope and duration of the prevention of the affected party's performance. The parties shall resume performance promptly if and when the Government Action expires or is cancelled.

11.) Assignment. The LMSA is fully assignable by Franchisor. Franchisee may not assign the LMSA without the prior written consent of Franchisor in accordance with the transfer provisions set forth in the Franchise Agreement.

12.) Miscellaneous. The choice of law, choice of forum/venue and dispute resolution provisions set forth in the Franchise Agreement apply to the parties' dealings under the LMSA. If Franchisor institutes any action against Franchisee to collect amounts owed hereunder, Franchisor will be entitled to recover from Franchisee all attorneys' fees that Franchisor incurs in connection with such action, together with court costs and expenses of suit, such as investigation, audit, professional fees and witness fees or charges.

*[Signature page follows]*

The parties have executed this LMSA by their duly authorized representatives as indicated below.

| **FRANCHISOR: THE CLEANING AUTHORITY FRANCHISING SPE LLC** | **FRANCHISEE (Print name of company):** _____ |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**ATTACHMENT B-1-2 TO BRAND APPENDIX**

**LOCAL MARKETING SERVICES AGREEMENT – HOMETOWN MARKET**

This Local Marketing Services Agreement ("**LMSA**") is entered into as of _____ by and between The Cleaning Authority Franchising SPE LLC ("**we**," "**us,**" "**our**" or "**Franchisor**") and _____ ("**you**" or "**Franchisee**").

WHEREAS, Franchisee and Franchisor are parties to that certain Franchise Agreement dated the date hereof (the "**Franchise Agreement**");

WHEREAS, pursuant to the terms of the Franchise Agreement, Franchisee is required to pay for Local Marketing Program services from Franchisor;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1.) Definitions. The term "**Local Marketing Program**" means our advertising of The Cleaning Authority brand, the cleaning services offered under the Marks, and the System, as conducted in your Territory in coordination with our similar advertising program in the territories of other franchisees, and includes the array of local marketing activities and services that we offer at any given time and perform pursuant to this agreement. The activities and services at any given time will include one or more of the following, but may also include other marketing-related activities and services listed here: advertising design, digital marketing for generation of customer leads, digital marketing for generation of customer reviews, tracking of leads, performance analytics, production and printing of marketing pieces, list management, mail management, market studies, strategy and analysis, research and development, platform design, development and integration, shipping and delivery to the United States Postal Service or other carrier, and other marketing-related programs and services as we determine from time to time. For the avoidance of doubt, the Local Marketing Program will only be used to promote The Cleaning Authority businesses.

The terms "**Designated Households**" and "**DHH**" mean the number of designated households in your Territory. A "Designated Household" is a residence with an estimated annual gross income of at least $70,000, except in California, where the estimated annual gross income for a Designated Household is $85,000. We reserve the right to modify this definition of a "Designated Household." We determine the number of Designated Households in a territory by reference to information provided by a third-party data compilation and demographic information service provider that we select.

Capitalized terms used but not defined in this LMSA have the same meaning as in the Franchise Agreement.

2.) Local Marketing Services. We have the right, in light of our marketing expertise and research regarding effective advertising of the System: (a) to formulate and design the Local Marketing Program, including the program options and vendors made available to franchisees from time to time; (b) to develop and control all content for the Local Marketing Program (the "**Content**"); and (c) to determine the uses and distribution of all such Content. We have the right to administer each program, as well as other programs we elect to offer in the future, which may include appointment generation platforms, billboards, radio ads, etc. We can change or end a program at any time and add new programs at any time.

3.) Ownership. You acknowledge and agree that, as between Franchisor and Franchisee, Franchisor owns all right, title and interest in and to any Content created in or for the Local Marketing Program, including all intellectual property rights therein or appurtenant thereto. Franchisee will not acquire any right, title or interest

in the Content or any portion thereof pursuant to this LMSA or otherwise, other than the right to access and use the Content as expressly granted in the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement and this LMSA.

4.) Local Marketing Fee. For our Local Marketing Program services, you agree to pay us or an affiliate we designate a non-refundable fee (the "**Local Marketing Fee**") determined from the following schedule:

| **Hometown Market** | |
|---|---|
| **No. of Customers** | **Weekly Dollar Amount** |
| 1-75 | [9% of DHH x $0.374] |
| 76-125 | [10% of DHH x $0. 374] |
| 126-175 | [11% of DHH x $0. 374] |
| 176-225 | [12% of DHH x $0. 374] |
| 225+ | [13% of DHH x $0. 374] |

Notwithstanding the foregoing, if your weekly Gross Revenue equals or exceeds the "**Threshold Revenue**" (defined below) for four (4) consecutive weeks and you are not in default of your Franchise Agreement, then the Local Marketing Fee will be the dollar amount stated in the schedule for 1-75 customers. If thereafter your weekly Gross Revenue falls below the Threshold Revenue in any two (2) out of three (3) consecutive weeks (for this purpose, Gross Revenue will be prorated for any week that contains a federal holiday or is affected by Government Action as described in Section 10 below), the Local Marketing Fee will automatically revert to the amount determined from the schedule. "Threshold Revenue" means weekly Gross Revenue of $13,000.

We reserve the right to designate the timing of payment and to set other policies relating to the Local Marketing Fee, but the fee will continue to be due weekly. For example, we may permit you to: (i) vary the weekly payment, subject to satisfaction of the annual amount required; and/or (ii) allocate the required amount among marketing channels that we offer. If not otherwise designated by us, you must pay the Local Marketing Fee on Wednesday of each week for the prior week (with the week running Sunday through Saturday). You must pay the Local Marketing Fee by electronic funds transfer or such other method as we may designate from time to time. We and our affiliates may earn revenue and profits on products or services we provide and may receive rebates, licensing fees, administrative fees, commissions, or other payments on products and services that third party vendors provide.

5.) Changes to Local Marketing Fee. We may change the Local Marketing Fee based on cost increases related to then-current and anticipated local marketing, promotional and advertising activities and services as determined in our sole discretion.

a. Limitation. Increases in the Local Marketing Fee will not exceed the cumulative annual increase of 4% each calendar year. This paragraph limits the amount of Local Marketing Fee increases but does not limit the number or timing of increases.

b. Notice of increase. We will give you thirty (30) days' advance notice by email (or by other means we determine) for any change to the Local Marketing Fee.

6.) No Representations. We do not represent or warrant that the Local Marketing Program or any individual program will reach a minimum number of persons in your Territory, will reach any specific persons in the Territory, or will produce any particular results for your Franchised Business. We obtain distribution lists and other data from third-party data compilation and demographic information service provider(s) that we and/or our affiliates select. We make no representation or warranty regarding the accuracy of any such lists or other data we use to conduct the Local Marketing Program.

7.) Discontinuation of Local Marketing Program. We have the right, in our sole business judgment, to discontinue the Local Marketing Program in whole or in part. In the event that we discontinue the Local Marketing Program, we will notify the Franchise Advisory Council ("**FAC**") and allow 30 days for feedback from the FAC, which feedback will be advisory only. We will make the final decision but will take into consideration the feedback of the FAC. If the Local Marketing Program is discontinued, your obligation to pay the Local Marketing Fee will cease (or be reduced accordingly if discontinued in part) at that time.

8.) Duration and Termination. The LMSA will remain in effect indefinitely and will automatically terminate upon the expiration or termination of the Franchise Agreement. In addition, we will have the right to terminate the LMSA sooner by written notice if: (i) you are in default under the Franchise Agreement; (ii) you are in default under the LMSA and the default continues for a period of ten (10) days after we deliver written notice of default; or (iii) we discontinue the Local Marketing Program under Paragraph 7 above.

9.) Pre-Termination Options Relating to Local Marketing Program. If you are in default of your obligations under the LMSA or the Franchise Agreement, we may suspend some or all of the Local Marketing Program services without terminating either agreement. This remedy is in addition to any other remedies we may have at law or in equity.

10.) Government Action. If any official action by a governmental agency (such as an evacuation order, curfew, closure order, injunction, order restricting scope of operations, or adoption of laws or regulations) ("**Government Action**") makes or will make operation of the Franchised Business impossible or unlawful, (i) you may submit a written request for approval to suspend the performance of your obligations under this LMSA Amendment, which approval must be in writing from us and will not be unreasonably withheld (in which case we may suspend performance of Local Marketing Services), or (ii) we may suspend Local Marketing Services by written notice (in which case you may suspend payment of the Local Marketing Fee). The affected party's request or notice must describe the Government Action, identify the date it took or will take effect, and include the affected party's good faith estimate of the scope and duration of the prevention of the affected party's performance. The parties shall resume performance promptly if and when the Government Action expires or is cancelled.

11.) Assignment. The LMSA is fully assignable by Franchisor. Franchisee may not assign the LMSA without the prior written consent of Franchisor in accordance with the transfer provisions set forth in the Franchise Agreement.

12.) Miscellaneous. The choice of law, choice of forum/venue and dispute resolution provisions set forth in the Franchise Agreement apply to the parties' dealings under the LMSA. If Franchisor institutes any action against Franchisee to collect amounts owed hereunder, Franchisor will be entitled to recover from Franchisee all attorneys' fees that Franchisor incurs in connection with such action, together with court costs and expenses of suit, such as investigation, audit, professional fees and witness fees or charges.

*[Signature page follows]*

The parties have executed this LMSA by their duly authorized representatives as indicated below.

| **FRANCHISOR: THE CLEANING AUTHORITY FRANCHISING SPE LLC** | **FRANCHISEE (Print name of company):** |
|---|---|
| | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**APPENDIX C TO FRANCHISE AGREEMENT**
**CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

[Name of Franchisee] (**"Franchisee"**) has entered into a Franchise Agreement (the **"Franchise Agreement"**) with **The Cleaning Authority Franchising SPE LLC** (**"Franchisor"**). Under the Franchise Agreement, Franchisor can require certain individuals affiliated with the Franchisee to bind themselves personally to the confidentiality obligations and restrictions on competition in the Franchise Agreement. You agree as follows:

1. You are signing this Agreement for the benefit of both Franchisee and Franchisor, as a condition of your employment by, ownership interest in, or other role with Franchisee. Franchisor has the right to enforce this Agreement directly against you.

2. You will or might gain access to Confidential Information (as defined in the Franchise Agreement) as a result of your role with Franchisee. You agree that you will: (a) not use the Confidential Information in any other business or capacity; (b) use your best efforts to maintain the confidentiality of the Confidential Information; and (c) not make unauthorized copies of any Confidential Information. If your relationship with Franchisee ends, these obligations continue, but you are required to return to Franchisor any materials in your possession or control that contain Confidential Information.

3. While the Franchise Agreement is in effect and you continue in your role with Franchisee, you will not, directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business. **"Competing Business"** has the same meaning as set forth in the Brand Appendix to the Franchise Agreement.

4. For two (2) years after (i) your relationship with Franchisee ends; (ii) the expiration or termination of the Franchise Agreement; or (iii) the approved transfer of the Franchise Agreement to a new franchisee, whichever comes first, you will not, without Franchisor's consent (which Franchisor may withhold at its discretion) either directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business that is located in or serves customers within (i) the Territory defined in the Franchise Agreement, (ii) forty (40) miles of the Territory, (iii) any zip code where Franchisee's Franchised Business served customers while the Franchise Agreement was in effect, (iv) the territory of any other then-existing Franchised Businesses plus the area formed by extending the boundaries of that territory ten (10) miles in all directions, or (v) the territory serviced by any business operated by Franchisor, its affiliates or their licensees under the Marks plus the area formed by extending the boundaries of that territory ten (10) miles in all directions. The time period above will be tolled for any period of time during which you are in breach of this section and will resume only when you begin or resume compliance.

5. You represent that enforcement of the restrictions contained in Paragraphs 3 and 4 will not deprive you of the ability to earn a living. If a court rules that any of these restrictions is unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited, and/or length of time, you agree to comply with any lesser restriction deemed enforceable by the court. If Franchisor or Franchisee initiates a legal proceeding to enforce this Agreement and prevails in the proceeding, you agree to reimburse Franchisor or Franchisee for its enforcement costs and expenses, including attorneys' fees.

| | |
|---|---|
| **FRANCHISEE:** | **YOU:** |
| **[NAME OF FRANCHISEE]** | **[OWNER NAME]** |
| | _____ |

**APPENDIX D TO FRANCHISE AGREEMENT**
**TELEPHONE NUMBER AND INTERNET AGREEMENT**

_____
(Name of Telephone Company)

_____
(Address)

_____
(City, State, Zip)

_____
(Office Telephone Number(s))

This TELEPHONE NUMBER AND INTERNET AGREEMENT, ASSIGNMENT AND POWER OF ATTORNEY ("**Assignment**") is made pursuant to the terms of the Franchise Agreement dated _____ ("**Agreement**") by and between The Cleaning Authority Franchising SPE LLC ("**Franchisor**") and _____ ("**Franchisee**"), authorizing Franchisee to use Franchisor's Marks and System in the operation of a business (the "**Franchised Business**") in and for the Territory. Capitalized terms used herein without a definition shall have the meaning assigned to them in the Agreement.

For value received, Franchisee hereby irrevocably assigns to Franchisor all telephone listings and numbers at any time used by Franchisee in any printed or internet telephone directory in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future (collectively "**Telephone Listings**") and all email addresses, domain names, social media accounts and comparable electronic identities that use the Marks or any portion of them at any time used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future (collectively "**Internet Listings**") (collectively referred to herein as "**Listings**"). From time to time upon Franchisor's request, Franchisee agrees to promptly provide a complete list of all Listings to Franchisor (in such format and level of detail as required by Franchisor).

Franchisee shall have the right to use the Listings only in connection with advertising the Franchised Business in the Territory. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee's right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately, at Franchisor's request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor, on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to "port" or transfer to Franchisor or an approved call

routing and tracking vendor all phone numbers associated with the Franchised Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.

Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Assignment. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power of attorney is created to secure performance of a duty to Franchisor and is for consideration.

**FRANCHISEE**: [INSERT FRANCHISEE NAME]

_____
[Individual Name]

_____, individually

_____
Date

**<u>INSTRUCTIONS TO FRANCHISEE</u>: YOU MUST PROVIDE ACTIVE ACCOUNT INFORMATION AT THE TIME OF SIGNING THE FRANCHISE AGREEMENT. IF YOU DO NOT YET HAVE A BUSINESS ACCOUNT FOR THE FRANCHISE, YOU MUST PROVIDE A PERSONAL ACCOUNT FOR US TO USE UNTIL YOU HAVE A BUSINESS ACCOUNT. YOU CAN CHANGE THE DESIGNATED ACCOUNT AT ANY TIME BY PROVIDING A NEW AUTHORIZATION FORM.**

## <u>APPENDIX E TO FRANCHISE AGREEMENT</u>

## ELECTRONIC FUND TRANSFER AUTHORIZATION FORM

Payee: The Cleaning Authority
Franchising SPE LLC ("**Franchisor**")

_____
Account Number

_____
ABA Routing #

_____
Bank Name (Please Print)

_____
Address

The undersigned hereby authorizes Franchisor to initiate debit entries by either electronic or paper means to the undersigned's account indicated above at the Bank indicated above (the "**Bank**") and authorizes the Bank to debit the same to such account and to make payment to Franchisor, or its assigns, at 7120 Samuel Morse Drive, Suite 300, Columbia, MD 21046, or such other address as may be designated by Franchisor. The undersigned agrees that in making payment for such charges, the Bank's rights shall be the same as if each were a charge made and signed personally by the undersigned. The Bank shall have no obligation regarding the calculation or verification of the amount of any such payments.

This authority shall remain in full force and effect until Franchisor and the Bank have received a minimum of ninety (90) days' advance written notice from the undersigned of the termination of authority granted herein. Until the Bank actually receives such notice, the undersigned agrees that the Bank shall be fully protected in paying any amounts pursuant to this authority. The undersigned further agrees that if any such payments are not made, whether with or without cause, and whether intentionally or inadvertently, the Bank shall be under no liability whatsoever to the undersigned.

_____
Printed Name of Franchisee (Individual or Business Entity)

_____
Signature of Franchisee (and Title, if signing on behalf of a Business Entity)

Date Signed: _____

**EXHIBIT B**

**PROMISSORY NOTE, GUARANTY AND SECURITY AGREEMENT**

**PROMISSORY NOTE**

**[FRANCHISE ID]**

**Principal Amount**: $_____

**Effective Date**:_____

1. **Principal Amount.** For value received, the undersigned ("**Maker**") hereby unconditionally promises to pay to the order of The Cleaning Authority Franchising SPE LLC, a Delaware limited liability company, with its principal offices located at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 ("**Holder**"), in lawful money of the United States of America, the amount of _____ _____ and 00/100 Dollars ($_____) ("**Principal Amount**") together with interest as set forth in Section 2.C. The Principal Amount represents a portion the Franchise Fee owed to Holder in connection with a The Cleaning Authority Franchising SPE LLC Franchise Agreement dated as of _____ ("**Franchise Agreement**").

2. **Payment Related Terms.**

A. **Payment.** Maker shall pay the Principal Amount and Interest Amount to Holder in ( ) equal weekly installments due as designated by Holder each week in the amount of_____and ____ /100 Dollars ($_____) commencing on _____and with the final payment in the amount of _____and /100 Dollars ($_____) due on_____. The attached amortization schedule reflects the payment schedule and is incorporated into this Note.

B. **Payment Arrangements.** Unless otherwise designated in writing by Holder, the payment required by Section 2.A. shall be made to Holder by electronic funds transfer in accordance with the terms of the Electronic Funds Transfer Agreement attached to the Franchise Agreement as an appendix. Maker shall be responsible for all costs and expenses incurred by Maker and Holder in connection with the electronic funds transfer.

C. **Interest**

**(i)** Interest at a rate of 12% per annum shall begin to accrue on the outstanding amounts due as of the above Effective Date. Interest shall be calculated on the basis of a year of three hundred and sixty-five (365) days and charged for the actual number of days elapsed. Interest on the indebtedness evidenced by this Note shall in no event exceed the maximum amount permissible under applicable law ("**Maximum Rate**").

**(ii)** After the occurrence of a Default, this Note shall bear interest, payable on demand, at a rate equal to 18% per annum, until paid, but not to exceed the Maximum Rate whether before or after the entry of judgment hereon. Interest shall be calculated on the basis of a year of 365 days and charged for the actual number of days elapsed. Following a permitted cure or waiver of Default, this Note shall cease to bear interest under this Section C(ii) and resume interest under Section C(i) above. This provision does not constitute a waiver of any Default or an agreement by the Holder to permit any late payments.

**(iii)** If, at any time, the interest to be paid by Maker would exceed the Maximum Rate, the interest to be paid shall be reduced to the Maximum Rate, and Holder shall credit any payment in excess

of the Maximum Rate to the Principal Amount or refund the excess to Maker. The terms and provisions of this paragraph shall control and supersede every other conflicting provision of this Note.

D. **Prepayment.** This Note may be prepaid at the option of Maker, in whole or in part, without penalty.

3. **Assignment.** This Note is personal to Maker and is not assignable by Maker. This Note is assignable by Holder without notice to or consent of Maker.

4. **Default.**

A. Any of the following events shall constitute an event of default ("**Default**"):

(i) Maker fails to pay any principal of or, if applicable, interest on this Note when the same shall become due, either by the terms hereof or by acceleration or otherwise; or

(ii) Maker or its affiliates or subsidiaries default on any agreement with Holder, or its affiliates or subsidiaries, including the Franchise Agreement.

B. Upon the occurrence of any Default, Holder may, at its option and in addition to any right, power or remedy permitted by law or equity, by written notice to Maker, declare the unpaid Principal Amount of this Note to be and the same shall thereupon be and become, forthwith due and payable in its entirety, together with, if applicable, accrued interest on that amount. A Default under this Note shall also constitute a Default under the Franchise Agreement. No waiver by Holder of any Default shall operate as a waiver of any other default or the same default on a future occasion.

5. **Waivers.** Maker hereby waives presentment and demand for payment, notice of non-payment, notice of dishonor, protest of dishonor, and notice of protest. All sums due under this Note shall be without relief from valuation and appraisement laws.

6. **Notices.** No notice, demand, request or other communication to Maker or Holder shall be binding unless the notice is in writing and pursuant to Section 21 of the Franchise Agreement.

7. **Enforcement.**

A. **Choice of Law.** This Note shall be governed by and construed in accordance with the laws of the State of Maryland.

B. **Choice of Forum.** Maker hereby submits to the personal jurisdiction of the state and federal courts located in Maryland, consents to venue in those courts, and agrees that Holder may, at Holder's option, enforce its rights under this Note in those courts.

C. **Reimbursement of Costs.** If Holder brings an action to enforce or collect this Note, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witnesses' fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of, or subsequent to the filing of, any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury. If Holder utilizes legal counsel (including in-house counsel employed by Holder or its affiliates) in connection with any failure by the undersigned to comply with this Note, Maker shall reimburse Holder for any of the above-listed costs and expenses incurred by it.

D. **Miscellaneous.** Maker acknowledges that its obligations under this Note are unconditional and separate from and independent of any other representations, warranties, commitments, agreements or understandings, whether oral or written, express or implied, between Maker and Holder. The liability of each entity or individual who is included as the "**Maker**" shall be joint and several.

E. **Severability**. If, but only to the extent that, any provision of this Note shall be invalid or unenforceable, then, such offending provision shall be deleted from this Note, but only to the extent necessary to preserve the validity and effectiveness of this Note to the fullest extent permitted by applicable law.

F. **Writing Required**. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT, INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT, ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

G. **Jury Trial Waiver. Maker waives, to the fullest extent permitted by applicable law, the right to a trial by jury in any action arising out of or relating to this Note or any Default under this Note.**

**IN WITNESS WHEREOF**, Maker has executed this Note as of the date below.

**MAKER:**

_____

Print Name: _____

Date: _____

**AMORTIZATION SCHEDULE**
**TO PROMISSORY NOTE**

***[insert amortization schedule]***

## GUARANTEE

In consideration of the willingness of The Cleaning Authority Franchising SPE LLC ("**Holder**") to permit _____ ("**Maker**") to pay a portion of the Franchise Fee owed to Holder in connection with a The Cleaning Authority Franchising SPE LLC Franchise Agreement and pursuant to the foregoing Promissory Note ("**Note**"), the undersigned_____("**Guarantors**"), hereby personally and unconditionally: **(1)** guarantee to Holder and its successors and assigns that Maker shall punctually pay and perform each and every undertaking set forth in the Note; and **(2)** agree personally to be liable for Maker's Default under the Note.

Each Guarantor waives: **(a)** acceptance and notice of acceptance by Holder of the foregoing undertakings; **(b)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(c)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(d)** any right he or she may have to require that an action be brought against Maker or any other person as a condition of liability; **(e)** all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Maker arising as a result of the execution of and performance under this Guarantee by any Guarantor; **(f)** any law or statute which requires that Holder make demand upon, assert claims against or collect from Maker or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Maker or any others prior to making any demand upon, collecting from or taking any action against Guarantors with respect to this Guarantee; **(g)** any and all other notices and legal or equitable defenses to which he or she may be entitled; and **(h)** any and all right to have any legal action under this Guarantee decided by a jury.

Each Guarantor consents and agrees that: **(i)** his or her direct and immediate liability under this Guarantee shall be joint and several; **(ii)** he or she shall render any payment or performance required under the Note upon demand if Maker fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by Holder of any remedies against Maker or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Note, any extension of time, credit or other indulgence which Holder may from time to time grant to Maker 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 Guarantee, which shall be continuing and irrevocable during the term of the Note and for so long thereafter as there are monies or obligations owing from Maker to Holder under the Note; and **(v)** monies received from any source by Holder for application toward payment of the obligations under the Note and under this Guarantee may be applied in any manner or order deemed appropriate by Holder.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: **(a)** failure of timely payment or performance of the obligations under this Guarantee; **(b)** breach of any agreement or representation contained or referred to in this Guarantee; **(c)** the appointment of a guardian for, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any Guarantor; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any Guarantor. If a Default occurs, the obligations of Guarantors shall be due immediately and payable without notice.

All notices, requests and approvals under this Guarantee shall be in writing and shall be deemed to have been properly given if and when personally delivered, or five (5) days after being sent by certified or registered mail, postage prepaid, return receipt requested, or thirty-six (36) hours after being sent by Federal Express or other overnight courier service providing delivery confirmation, to the address of the party set forth below or at such other address as any of the parties hereto from time to time may have designated by

written notice to the other party.

**IF TO GUARANTORS:** _____
_____
_____

**IF TO HOLDER**: The Cleaning Authority Franchising SPE LLC
7120 Samuel Morse Drive, Suite 300
Columbia, Maryland 21046

This Guarantee shall be governed by and construed in accordance with the laws of the State of Maryland. Each Guarantor hereby submits to the personal jurisdiction of the state and federal courts located in Maryland, consents to venue in those courts, and agrees that Holder may, at Holder's option, enforce its rights under this Guarantee in those courts. **Each Guarantor waives, to the fullest extent permitted by applicable law, the right to a trial by jury in any action arising out of or relating to this Guarantee or any Default under this Guarantee.**

If Holder brings an action to enforce this Guarantee in a judicial proceeding, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If Holder utilizes legal counsel (including in-house counsel employed by Holder or its affiliates) in connection with any failure by Guarantors to comply with this Guarantee, Guarantors shall reimburse Holder for any of the above-listed costs and expenses incurred by it.

This Guarantee is personal to the undersigned and is not assignable by Guarantors. This Guarantee is assignable by Holder.

If signed by more than one person or entity, the obligations hereunder shall be joint and several as to each signatory.

Guarantors acknowledge that their obligations under this Guarantee are unconditional and are separate from and independent of any other representations, warranties, commitments, agreements or understandings, whether oral or written, express or implied, between Guarantors and Holder, and that this Guarantee contains the entire agreement of Guarantors and Holder with respect to the subject matter of this Guarantee.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Guarantee as of the date first above written:

**GUARANTORS:**

By:_____ By:_____

Print Name:_____ Print Name:_____

## SECURITY AGREEMENT

**THIS SECURITY AGREEMENT** ("**Agreement**") is made and entered into as of _____, by and between _____, a _____ formed in _____ ("**Debtor**"), and The Cleaning Authority Franchising SPE LLC, a Delaware limited liability company ("**Secured Party**"), who agree as follows:

1. **Recitals**. This Agreement is made and entered into with reference to the following facts and circumstances:

A. Debtor and Secured Party entered into a The Cleaning Authority Franchising SPE LLC Franchise Agreement ("**Franchise Agreement**") under which Debtor was required to pay Secured Party a "**Franchise Fee**";

B. Debtor and Secured Party entered into a Promissory Note ("**Note**") on the same date as this Security Agreement ("**Agreement**") under which Secured Party agreed to permit Debtor to pay a portion of the Franchise Fee on a payment plan;

C. Debtor is jointly and severally indebted to Secured Party in the principal amount of $_____ as evidenced by the Note (the "**Indebtedness**"); and

D. As a material inducement for Secured Party's accepting the Note, Debtor has agreed to secure Debtor's performance under the provisions and conditions of the Note, the Franchise Agreement, and any other debts Debtor owes to Secured Party by granting to Secured Party a security interest in the collateral described in this Agreement.

2. **Grant of Security Interest**. As security for: (i) Debtor's timely and complete payment of all amounts owing under the Note, the Franchise Agreement, and of any other debts Debtor owes to Secured Party; and (ii) Debtor's performance of all of the covenants, obligations and agreements contained in the Note, the Franchise Agreement, this Agreement and all other instruments and documents pertaining to, evidencing or securing the Note, the Franchise Agreement or other debts Debtor owes to Secured Party (and as those instruments and documents may be amended from time to time), Debtor hereby grants, transfers, and assigns to Secured Party a continuing security interest in the following items, property and rights (collectively, "**Collateral**"):

A. All of the personal property of Debtor now and hereafter situated at, used in connection with, relating to or deriving from any The Cleaning Authority Franchised Business (or its successor) pursuant to the Franchise Agreement or otherwise, including without limitation, at those certain premises which are described on Exhibit A, attached hereto and incorporated herein by this reference ("**Premises**"), and the businesses conducted at such Premises, including, without limitation, all present and after-acquired goods, accounts, documents, instruments, money, deposit accounts, chattel paper, inventory, equipment, supporting obligations, investment property, letter of credit rights, and general intangibles; and

B. Debtor's entire right, title and interest in and to all replacements, rents, profits, substitutions and (or) additions to or of those items referred to in subparagraph 2.A. above, and any proceeds arising from the sale and(or) other disposition of the same (including, without limitation, sums payable for loss under insurance covering the Collateral).

3. **Warranties; Protection of Collateral**. Debtor warrants that it is the owner of the Collateral free of all liens except the lien created hereby. Debtor agrees that it: (a) will properly maintain, repair and preserve the Collateral and insure the same against casualty loss by a policy of insurance covering such

risks and in such amount as the Secured Party may require, with loss payable to Secured Party and will furnish certificates acceptable to Secured Party; (b) will pay in timely fashion all taxes which may become a lien on the Collateral; (c) except with Secured Party's prior written consent, Debtor will make no sale, contract to sell, lease, encumbrance or other disposition of the Collateral nor change its physical location from the Premises above designated; (d) will use the Collateral lawfully and only within insurance coverage and not use the Collateral so as to cause or result in any waste, unreasonable deterioration or depreciation; (e) will permit Secured Party to enter on Debtor's property and to inspect the Collateral at any reasonable time; (f) will not, with the exception of sales of inventory in the ordinary course of business, remove the Collateral from the Premises without the consent of Secured Party except when reasonably necessary for repair or to replace obsolete or worn out items of Collateral; and (g) will execute any additional agreements, assignments or documents that may be deemed necessary or advisable by Secured Party to effectuate the purpose of this Agreement and the protection of the Collateral.

4. **Delivery and Perfection**. Debtor agrees to execute and deliver to Secured Party any other documents reasonably requested by Secured Party to create, maintain, perfect, or assure the priority of the security interest granted above. Debtor hereby appoints Secured Party as its agent and attorney-in-fact to execute and deliver documents and to take all other actions (to the extent permitted by law) in Debtor's name and on Debtor's behalf that Secured Party may deem necessary or advisable to create, maintain, perfect, assure the priority of, or foreclose its security interest in and lien on the Collateral. This appointment is coupled with an interest and is irrevocable as long as any of the Indebtedness remains outstanding.

5. **Default**. The following shall constitute a default by Debtor hereunder:

A. Any failure to comply with the provisions of the Franchise Agreement, this Agreement, or any other agreement with Secured Party, or to perform any covenant contained herein.

B. Any default by Debtor under the Note or any failure to pay when due any portion of the Indebtedness, including, without limitation, any interest payable thereunder.

C. Any loss, theft, substantial damage or destruction of the Collateral or issuance of attachment, levy, garnishment or judicial process with respect to the Collateral.

D. Insolvency, bankruptcy, business failure, assignment for benefit of creditors or appointment of a receiver for Debtor or its property.

E. Secured Party deeming itself insecure, believing in good faith that the prospect of payment of the Indebtedness (or any portion thereof) or of performance of this Agreement, or any covenant contained herein, is impaired.

6. **Rights and Remedies**. In the event of a default hereunder, Secured Party shall have and shall otherwise be entitled to all rights and remedies provided for or allowed under law. In accordance with the foregoing, and without limitation, Secured Party shall be entitled to:

A. Take possession of and protect the Collateral, including the right to remove all persons from the Premises and take sole possession thereof.

B. If Secured Party is not then in possession of the Collateral, to require Debtor or any other person in possession of the Collateral to assemble it at Debtor's expenses and make it available to Secured Party at a reasonably convenient place, to be designated by Secured Party.

C. Retain the Collateral in satisfaction of Debtor's obligations, or dispose of the Collateral by public or private sale (at which sale the Secured Party may be a buyer), or commence operation of the Business for Debtor's account. Any sale or operation of the Business shall be deemed to be on Debtor's account unless Secured Party gives Debtor written notice of intent to retain the Collateral in satisfaction of Debtor's obligations. The proceeds of sale or operation for Debtor's account shall be applied in total or partial satisfaction of Debtor's obligations to Secured Party and for Secured Party's costs incurred in proceeding under this paragraph. All proceeds shall be applied first to cover Secured Party's costs, and second to satisfy Debtor's obligations to Secured Party. To the extent there is still any deficiency in the amount Secured Party is owed, Secured Party may collect the same from Debtor, and, to the extent that any excess proceeds exist (after the application of such proceeds as provided for herein and under the law), Secured Party shall pay the same to Debtor.

D. Declare any and all amounts outstanding under the Note to be immediately due and payable.

E. Reduce any claim against Debtor to judgment and enforce any such judgment against Debtor.

F. Take such steps as it may deem appropriate to foreclose upon or otherwise enforce the security interest(s) and lien of this Agreement to secure payment and performance of the Debtor's obligations under this Agreement and the Note.

G. Exercise any and all other rights and remedies available at law or equity or otherwise to Secured Party under this Agreement or the Note.

7. **Nonwaiver**. No delay or omission to exercise any right, power, or remedy accruing to Secured Party upon any breach or default of Debtor under this Agreement shall impair any such right, power, or remedy of Secured Party, nor shall it be construed to be a waiver of any such breach thereafter occurring, nor shall any waiver of any single breach or default theretofore occurring be deemed a waiver of any other breach or default. Any waiver, permit, consent, or approval of any kind under this Agreement, or any waiver on the part of the Secured Party of any provision or condition of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law, or otherwise afforded to Secured Party, shall be cumulative and not alternative.

8. **Notices**. Unless otherwise specifically provided in this Agreement, all notices, demands, or other communications given hereunder will be in writing and pursuant to Section 21 of the Franchise Agreement.

9. **Miscellaneous**.

A. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the manners dealt with in this Agreement. In addition each party has had the opportunity to consult with experienced and knowledgeable legal counsel. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement.

B. In the event of any dispute arising out of this Agreement, or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses incurred in any action, arbitration, mediation, or litigation, including without limitation court costs and reasonable attorneys' fees and disbursements.

C. Any provisions of this Agreement which may be prohibited by law or otherwise held invalid shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective the remaining provisions of this Agreement.

D. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland. Sole and proper venue for any action shall be in the state and federal courts in Maryland.

E. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

**DEBTOR:**

By:_____

Its: _____

## EXHIBIT A TO SECURITY AGREEMENT

**Premises**:

# EXHIBIT C

## RENEWAL ADDENDUM

**RENEWAL ADDENDUM TO THE**
**THE CLEANING AUTHORITY FRANCHISE AGREEMENT**

**THIS RENEWAL ADDENDUM** ("**Addendum**") to the The Cleaning Authority Franchise Agreement dated as of _____ ("**Franchise Agreement**") by and between The Cleaning Authority Franchising SPE LLC, a Delaware limited liability company ("**Franchisor**"), _____ _____, a [*state/entity type*] ("**Franchisee**"), and _____ ([collectively,] "**Guarantor**"), is entered into simultaneously with the Franchise Agreement.

**RECITALS**

A. Franchisor and Franchisee are parties to a The Cleaning Authority Franchise Agreement dated _____ ("**Prior Agreement**") under which Franchisor granted Franchisee the right to operate the Franchised Business at the Approved Location. The term of the Prior Agreement has expired or will expire soon.

B. Franchisor and Franchisee are executing the Franchise Agreement to renew the rights granted to Franchisee under the Prior Agreement.

C. The individual(s) identified above as "Guarantor," guaranteed Franchisee's obligations under the Franchise Agreement (the "**Guaranty**").

D. The parties desire to modify certain provisions of the Franchise Agreement as reflected in this Addendum.

**NOW THEREFORE**, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. **Pre-Opening Obligations Deleted**. Since Franchisee has been operating the Franchised Business pursuant to the Prior Agreement, the parties acknowledge and agree that no provisions of the Franchise Agreement that relate to pre-opening obligations of either party shall be applicable. Franchisee remains required to comply with the conditions for renewal under the Prior Agreement.

2. **Term**. The text of Section 3 of the Franchise Agreement is deleted and replaced with the following:

> *"This Agreement will expire on the anniversary of the Agreement Date specified in the Brand Appendix (the "**Expiration Date**"). You will not have an opportunity to renew your franchise rights when the term expires.*

3. **Renewal Fee**. Simultaneously with the execution of this Addendum, Franchisee shall pay Franchisor a renewal fee in the amount of _____.

4. **Indemnification**. The indemnification obligations under the Prior Agreement survive the expiration of the Prior Agreement.

5. **Release by Franchisee and Guarantor**. In order to induce Franchisor to renew the Franchise Agreement, Franchisee (on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present members, officers, directors, shareholders, agents, and employees, in their corporate and individual capacities) and Guarantor (each on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, "**Franchisee Releasors**") freely and without any

influence, forever release and covenant not to sue Franchisor, its parent, subsidiaries and affiliates, and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively, "**Franchisor Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), that any Franchisee Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement, the Prior Agreement, and all other agreements between any Franchisee Releasor and any Franchisor Releasee, the sale of franchises to any Franchisee Releasor, the development and operation of the Franchised Business, and each Franchisor Releasee's performance of its obligations under the Prior Agreement and any other agreement between any Franchisor Releasee and any Franchisee Releasor. Franchisee and Guarantor (on behalf of the themselves and the Franchisee Releasors) agree that fair consideration has been given by Franchisor for this release, and they fully understand that this is a negotiated, complete and final release of all of their claims.

FRANCHISEE AND GUARANTOR EACH, ON BEHALF OF ITSELF AND THE FRANCHISEE RELEASORS, WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED IN THIS AGREEMENT BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS THAT THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT.

IF THE FRANCHISE TO WHICH THIS RENEWAL ADDENDUM APPLIES OR IF ANY FRANCHISEE RELEASORS ARE LOCATED IN CALIFORNIA, THE FRANCHISEE RELEASORS EXPRESSLY WAIVE AND RELINQUISHE ALL RIGHTS AND BENEFITS WHICH IT/HE/SHE MAY NOW HAVE OR IN THE FUTURE HAVE UNDER AND BY VIRTUE OF CALIFORNIA CIVIL CODE SECTION 1542. FRANCHISEE RELEASORS DO SO UNDERSTANDING THE SIGNIFICANCE AND CONSEQUENCE OF SUCH SPECIFIC WAIVER. SECTION 1542 PROVIDES THAT "[A]. GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY." FOR THE PURPOSE OF IMPLEMENTING A GENERAL RELEASE AND DISCHARGE AS DESCRIBED HEREIN, FRANCHISEE RELEASORS EXPRESSLY ACKNOWLEDGE THAT THIS AGREEMENT IS INTENDED TO INCLUDE IN ITS EFFECT, WITHOUT LIMITATION, ALL CLAIMS WHICH RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION HEREOF, AND THAT THIS AGREEMENT CONTEMPLATES THE EXTINGUISHMENT OF ANY SUCH CLAIMS.

6. **Guaranty Remains in Effect.** Guarantor agrees that none of the amendments, modifications or supplements to the Franchise Agreement set forth above shall release or discharge them from their obligations under the Guaranty and that the Guaranty shall be and remain in full force and effect.

7. **Capitalized Terms.** Any capitalized term that is not defined in this Addendum shall have the meaning given to it in the Franchise Agreement.

8. **Limited Modification.** Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

9. **Counterparts**. The parties may sign this Addendum in counterparts and each such counterpart may be delivered to the other parties by facsimile or by other electronic copy (such as an accurate PDF copy of the signature page sent by e-mail), and when taken together with all other identical copies of this Agreement also signed in counterpart, shall be considered as one agreement.

IN WITNESS WHEREOF, the parties have executed this Addendum, simultaneously with the Franchise Agreement.

**FRANCHISOR:**

**THE CLEANING AUTHORITY FRANCHISING SPE LLC**

By: _____

Name: _____

Title: _____

Date: _____

**FRANCHISEE:**

**[PRINT NAME OF COMPANY]**

By: _____

Name: _____

Title: _____

Date: _____

**GUARANTOR:**

By: _____

Name: _____, in their individual capacity

Date: _____

**EXHIBIT D**

**SAMPLE OF GENERAL RELEASE**

**SAMPLE OF RELEASE TO BE SIGNED WHEN YOU RENEW OR TRANSFER A FRANCHISED BUSINESS**

**Note: Where required by state law, this Release will be modified so that it does not apply to your rights under the state law. Please see Exhibit K to the disclosure document.**

## GENERAL RELEASE

THIS GENERAL RELEASE is signed by: (i) The Cleaning Authority Franchising SPE LLC ("**Franchisor**"); (ii) the The Cleaning Authority franchisee named at the end of the document (**"Franchisee"** or **"you"**); and (iii) Franchisee's owners (the **"Owners"**) as an express condition of Franchisee and/or the Owners renewing or transferring their The Cleaning Authority franchise.

1. Release. You and each of the Owners, on behalf of yourselves and all past, present and future parents, subsidiaries, shareholders, members, partners, managers, directors, officers, employees, successors, assigns, agents and legal representatives, and any of the aforementioned persons' heirs, executors, administrators or personal representatives, and all other persons acting on your behalf or claiming under you (collectively, the **"Franchisee Parties"**), hereby release and forever discharge Franchisor, its affiliates, and their respective past and present officers, directors, shareholders, members, parents, subsidiaries, affiliates, agents, employees, attorneys, insurers, representatives, predecessors, successors, and assigns, and each of them, from any and all claims, debts, liabilities, demands, obligations, costs, expenses, suits, actions, and causes of action, of whatever nature, known or unknown, suspected or unsuspected, vested or contingent (collectively, **"Claims"**) that the Franchisee Parties ever had, now have, or may in the future have, arising out of or relating to any act, omission or event occurring on or before the date of this General Release.

2. Risk of changed facts. You and the Owners understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts that you and the Owners now know or believe to be true. You and the Owners, on behalf of yourselves and all other Franchisee Parties, hereby accept the risk of the facts turning out to be different and agree that the release will nevertheless be effective and not subject to termination or rescission by virtue of any such difference in facts.

3. No prior assignment. You and the Owners, for yourselves and on behalf of all other Franchisee Parties, represent and warrant that the Franchisee Parties have not assigned or transferred, or purported to assign or transfer, any Claim released under Section 1 above to any person or business entity that is not a Franchisee Party.

4. Covenant not to sue. You and the Owners, for yourselves and on behalf of all other Franchisee Parties, promise not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum against any person or entity released under Section 1 with respect to any Claim released under Section 1.

5. Complete defense. You and each of the Owners: (i) acknowledges that this General Release will be a complete defense to any Claim released under Section 1 above; and (ii) consents to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. Authorization. You and the Owners represent and warrant that the person signing this General Release on behalf of Franchisee is authorized to do so. You and the Owners also represent and warrant that you and the Owners have the authority to enter into this General Release on behalf of the other Franchisee Parties.

7. California Acknowledgment. If you or the franchise to which this General Release relates is located in California, you and the Owners understand and agree that this release extends to all claims, and you and they expressly waive all rights under Section 1542 of the Civil Code of the State of California, which provides:

> "A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

**FRANCHISOR:**

**THE CLEANING AUTHORITY FRANCHISING SPE LLC**

By: _____

Name: _____

Title: _____

Date: _____

**FRANCHISEE:**

**[PRINT NAME OF COMPANY]**

By: _____

Name: _____

Title: _____

Date: _____

**OWNERS:**

_____

_____

_____

**EXHIBIT E**

**QUESTIONNAIRE**

**QUESTIONNAIRE**

(*TO BE COMPLETED BEFORE EXECUTING FRANCHISE AGREEMENT*)

**Not Applicable to Prospective Franchisees in CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA and WI)**

You are about to enter into a Franchise Agreement with The Cleaning Authority Franchising SPE LLC ("**we**," "**us**," or "**our**"). The purpose of this Questionnaire is to confirm that you understand the terms of the agreement and that no unauthorized statements or promises have been made to you. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

**Note:** If you are purchasing an existing franchised business from an existing franchisee, you may have received information from the transferring franchisee, who is not our employee or representative. The questions below do not apply to any communications that you had with the transferring franchisee.

**1.** Did you receive our Franchise Disclosure Document with an Issuance Date of April 28, 2023 (the "**FDD**") and deliver to us a signed and dated Receipt for such FDD? ____ Yes ____ No

**2.** Has any person representing our company (either an employee or an outside person) given you information that is inconsistent with the information in the FDD concerning the investment necessary to start an The Cleaning Authority franchised business? If the answer is "yes," please (a) identify the person, and (b) describe the information you received from that person in detail below. If the answer is "no," please write "NONE" below:

_____

_____

_____

**3.** Has any person representing our company given you information that is inconsistent with the information in the FDD concerning the financial performance of The Cleaning Authority franchises? If the answer is "yes," please (a) identify the person, and (b) describe the information you received from that person in detail below. If the answer is "no," please write "NONE" below:

_____

_____

_____

**4.** Has any person representing our company given you any other information that is inconsistent with the FDD and is influencing your decision to sign the Franchise Agreement? If the answer is "yes," please (a) identify the person, and (b) describe the nature of that information in detail below. If the answer is "no," please write "NONE" below:

_____

_____

_____

* * *

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

**FRANCHISE APPLICANT**

By: _____

Name: _____

Date: _____

**EXHIBIT F**

**FRANCHISEES AS OF DECEMBER 31, 2022**

**ACTIVE FRANCHISEES AS OF DECEMBER 31, 2022**

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| McCarrick | Phil | McCarrick Cleaning Service, Inc. | 25 West Oxmoor Rd, Suite 22 | Birmingham | AL | 35209 | (205) 566-2255 | 1 |
| Holder | Brian | Flawless Clean INC | 322 N. Bloomington Suite G | Lowell | AR | 72745 | (479) 633-8755 | 1 |
| Arenz | John | John K. Arenz & John D. Arzner | 19401 N Cave Creek Rd Suite 28 | Phoenix | AZ | 85024 | (602) 368-8611 | 1 |
| Arzner | John | Premier Residential Services, LLC | 2140 S 4th Ave | Tucson | AZ | 85713 | (520) 777-6757 | 1 |
| Meyer | Marisa | Safcal Serv LLC | 1050 N. Fairway Dr., Suite H 110 | Avondale | AZ | 85323 | (623) 937-2977 | 1 |
| Orr | Ken | Korr Enterprises LLC | 6020 W. Bell Rd Suite E103 | Glendale | AZ | 85308 | (623) 879-6655 | 1 |
| Orr | Ken | Shugorr Enterprises, Inc. | 610 North Alma School Rd, Suite 44 | Chandler | AZ | 85224 | (480) 857-4045 | 1 |
| Blaylock | Keith | Norcal Green Cleaning LLC | 101 Industrial Rd., Unit 10 | Belmont | CA | 94002 | (650) 832-1420 | 1 |
| Budjenska | Lynn | KoKo Platz, LLC | 3145 Tiger Run Court, Suite 113 | Carlsbad | CA | 92010 | (760) 536-3860 | 1 |
| Childress | Carolyn | C&R Enterprises Worldwide, Inc | 5494 E. Lamona Ave., Suite 136 | Fresno | CA | 93727 | (559) 478-6958 | 1 |
| Detlefs | Ryan | RWD Ventures, LLC | 3200 Olympic Blvd | Santa Monica | CA | 90404 | (424) 744-1222 | 1 |
| Gerberoff | Ariel | P.A.T. Americas | 3650 Clairemont Drive, Suite #7 | San Diego | CA | 92117 | (858) 483-3049 | 1 |
| Imran | Muhammad | Sarah Enterprises LLC | 17165 Von Karman Ave., Suite 104 | Irvine | CA | 92614 | 949-752-5326 | 1 |
| Lewis | Kent | Homegrown Services, Inc. | 4432 Enterprise St, Unit L | Fremont | CA | 94538 | (510) 656-0142 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Lewis | Kent | HS II, Inc. | 4038 Wayside Lane, Front Suite | Carmichael | CA | 95608 | (916) 977-3777 | 1 |
| Lewis | Kent | South Bay HS III, Inc. | 3084 Driftwood Drive | San Jose | CA | 95128 | (408) 580-1868 | 1 |
| Smith | Tyron | Los Angeles Cleaning Company | 26111 Ynez Rd, Suite B-4 | Temecula | CA | 92591 | (951) 404-7111 | 2 |
| Arenz | John | Innovative Cleaning LLC | 5223 Galley Rd | Colorado Springs | CO | 80915 | (719) 635-5599 | 1 |
| Balcerzak | Ed | E & MB, LLC | 4022 S Parker Road | Aurora | CO | 80014 | (720) 227-6595 | 1 |
| Stack | Tony | Anthony P. Stack Enterprises | 7249 W. 116th Ave, Suite 25 | Broomfield | CO | 80020 | (303) 668-3280 | 1 |
| Turnbeaugh | Kent | PKExpress Enterprises, LLC | 1981 E. 11th Street | Loveland | CO | 80537 | (970) 405-4912 | 1 |
| Vinyard | Jeff | 4SR Spiff Inc. | 213 W County Line Rd Suite 213 | Highlands Ranch | CO | 80129 | (303) 514-2989 | 1 |
| Ward | Ty | Ty Ward | 7510 W. Mississippi Ave, Suite 120 | Lakewood | CO | 80226 | (303) 233-1216 | 1 |
| Burke | Douglas | Douglas Burke | 900 Hope Street, Suite #3 | Stamford | CT | 06907 | (203) 832-2172 | 1 |
| Cartier | Mike | Mike and Mike, LLC | 27 Naek Rd, Unit 6B | Vernon | CT | 06066 | (860) 454-4767 | 1 |
| Das | Rajneesh | SPARC Enterprises, LLC | 39 East Main Street St. | Avon | CT | 06001 | (860) 987-7553 | 1 |
| Weddle | Rob | Longhorn Enterprises | 2604 Eastburn Center, Suite 104 | Newark | DE | 19711 | (302) 737-7444 | 1 |
| Barrozzi | Ricardo | Sunny Road Investments | 6629 Forest Hill Blvd | Greenacres | FL | 33413 | (561) 693-2592 | 1 |
| Chacon | David | Davlind, LLC | 265 Southwest 27th Avenue | Fort Lauderdale | FL | 33312 | (954) 225-6417 | 1 |
| Contreras | Edwin | EMC Pro Cleaning, LLC | 414 NW Stratford Lane | Port Saint Lucie | FL | 34983 | (772) 418-1170 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Diaz | German | Das Diaz Abad Services, Inc. | 925 Beville Rd., Suite 5 | South Daytona | FL | 32119 | (305) 497-6555 | 1 |
| DiFabio | Gisela | Miami | 12201 SW 128th Ct, #101 | Miami | FL | 33186 | (786) 467-8007 | 1 |
| Dye | Chris | A2D Enterprises, LLC | 545 Berkley Rd | Auburndale | FL | 33823 | (863) 967-4099 | 1 |
| Forbis | Alison | TCA Suncoast, Inc. | 32712 US Hwy 19 North | Palm Harbor | FL | 34684 | (727) 444-0972 | 1 |
| Gaschteff | Antony | AG Services & Investments, LLC | 1086 Plaza Drive | Kissimmee | FL | 34743 | (407) 360-9133 | 1 |
| Ignacio | German | EBISU INVESTMENTS LLC | 2356 North Dixie Highway | Hollywood | FL | 33020 | (954) 305-9260 | 1 |
| Liebler | Laura | BMLS Group LLC | 322 W. Robertson St. | Brandon | FL | 33511 | (813) 381-5519 | 1 |
| Matos | Denise | Denise & Hector Matos | 1409 Kingsley Avenue, Suite 4A | Orange Park | FL | 32073 | (904) 215-4646 | 1 |
| Metcalfe | Peter | Rainhill Enterprises, Inc. | 6620 19th Street E | Sarasota | FL | 34243 | (941) 752-0206 | 1 |
| Miller | Betsy | Miller Cleaning Services, LLC | 8535 Baymeadows Road, Suite 15 | Jacksonville | FL | 32256 | (904) 730-7054 | 1 |
| Milord | Elise | Milord Services, LLC | Need address | Seminole | FL | | (407) 529-6110 | 1 |
| Molina | Yobayi | MYGREEN, LLC | 3863 Tamiami Trail East | Naples | FL | 34112 | (239) 228-7725 | 1 |
| Murray | Michael | OPTIMUM RESIDENTIAL SERVICES, LLC | 108 South Dixie Highway | LadyLake | FL | 32159 | (352) 775-9662 | 1 |
| Palacios | Oscar | Palavasi Service Group, LLC | 4111 SW 47th Avenue, Suite 315 | Davie | FL | 33314 | (954) 706-0648 | 2 |
| Stelmak | Shawn | City of Palms, Inc. | 4409 SE 16th Place, Unit 9 | Cape Coral | FL | 33904 | (239) 673-9698 | 1 |
| Tatum | Hunter | RT Cleaning LLC | 2830 Forsyth Rd., Suite 422 | Winter Park | FL | 32792 | (407) 802-3424 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Tinedo | Carlos | Fedcar, LLC | 5510 Haines Road | St Petersburg | FL | 33714 | (727) 828-6132 | 1 |
| Valderrama | Ricardo | Digaser LLC | 267 NW 82nd Ave | Miami | FL | 33126 | (786) 331-9175 | 1 |
| Alvarez | Raul | Blue Minds Corporation | 1815 Hembree Road, Suite 313 | Alpharetta | GA | 30009 | (678) 691-9590 | 1 |
| Betancourt | Nelson | CA CUMMING, LLC | 5620 Commerce Blvd, Suite D | Alpharetta | GA | 30004 | (678) 513-4844 | 1 |
| Betancourt | Nelson | J Jonesboro LLC | 9434 South Main Street SE Suite 700 | Jonesboro | GA | 30236 | (770) 472-4377 | 1 |
| Cosola | Donna | Dust Bunnies | 3070 Business Park Drive, Suite K | Norcross | GA | 30071 | (470) 321-3955 | 1 |
| Gipson,Jr. | Melvin | Reliable Cleaning, LLC | 5825 Glenridge Drive, Bldg 1, Ste 112 | Atlanta | GA | 30328 | (404) 736-6432 | 1 |
| Morfaw | Pam | EAAL Corp | 501 Shartom Drive | Augusta | GA | 30907 | (706) 399-5893 | 1 |
| Patel | Tina | Infinity Cleaning Group | 3550 Clarkston Industrial Blvd Suite B | Clarkston | GA | 30021 | (404) 299-5515 | 1 |
| Roth | Tom | TESCX Enterprises, Inc. | 1800 Roswell Road, Suite 1060 | Marietta | GA | 30062 | (630) 209-4440 | 1 |
| Whitehurst | Mary | The Whitehurst Group Inc | 770 County Line Auburn Rd, Suite A | Winder | GA | 30680 | (706) 684-0628 | 1 |
| Konchar | Jon | Quality, Inc. | 3260 Southgate Place SW, Suite 8 | Cedar Rapids | IA | 52404 | (319) 286-9101 | 1 |
| Roth | Joe | Joe Roth | 3821 71st Street Suite F | Urbandale | IA | 50322 | (515) 414-8930 | 1 |
| Haislmaier | Nate | HH Ventures, LLC | 6069 Corporal Lane | Boise | ID | 83704 | (208) 323-0600 | 1 |
| Diehl | Phil | PAEMS, LLC | 350 W Kensington Rd #105 | Mount Prospect | IL | 60056 | (847) 749-2191 | 1 |
| Garretson,III | John | JRG Services IL LLC | 600 Industrial Drive Suite L | Cary | IL | 60013 | (847) 516-4132 | 1 |
| Humecki | Zahra | Choice Clean, LLC | 49 Sherwood Terrace Unit T | Lake Bluff | IL | 60044 | (847) 266-0295 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Macher | Robert | GP Cleaning Solutions, Inc. | 23848 W. Industrial Dr. S, Unit 2 | Plainfield | IL | 60585 | (815) 782-4295 | 1 |
| Schmidt | Glen | Beyond Service, Inc. | 15 Commerce Dr., Suite 102A | Grayslake | IL | 60030 | (847) 231-5294 | 1 |
| Surti | Chintan | ELITE CLEANERS LLC | 1520 Creekside Drive | Hoffman Estates | IL | 60169 | (773) 691-8510 | 1 |
| Young | Scott | Four Youngs, Inc. | 825 North Cass Avenue, Suite 315 | Westmont | IL | 60559 | (331) 454-9146 | 1 |
| Fream | Michael | Fream, Inc. | 4930 Illinois Rd, Suite E | Fort Wayne | IN | 46804 | (260) 459-9164 | 1 |
| Krause | Todd | Silversun Cleaning LLC | 9378 Castlegate Dr | Indianapolis | IN | 46256 | (317) 770-3360 | 1 |
| PenaJr | John | John W. Pena, Jr and Julie A. Pena | 8823 Madison Avenue, Suite 105 | Indianapolis | IN | 46227 | (317) 838-3055 | 1 |
| Thomas | Randy | R.W. Thomas, LLC | 5655 West 74th Street | Indianapolis | IN | 46278 | (317) 388-4944 | 1 |
| Burwell | Reuben | RK Burwell Ventures, Inc | 12020 W 87th St Parkway | Lenexa | KS | 66215 | (913) 541-0105 | 1 |
| Greenwald | Brian | BLG2 Enterprises, LLC | 805 S. Clairborne | Olathe | KS | 66062 | (913) 390-7911 | 1 |
| Powell | Jennifer | Graelynn, LLC | 318 S. Greenwood St. | Wichita | KS | 67211 | (316) 733-7890 | 1 |
| Fleming | Sybil | Saddleboro Legacy, Inc. | 10366 Bluegrass Parkway | Louisville | KY | 40299 | (502) 493-1010 | 1 |
| Levermann | Susan | Goal Partners Inc. | 3005 Dixie Highway, Suite 20 | Edgewood | KY | 41017 | (859) 331-2424 | 1 |
| Polzin | Bernie | BP House Cleaners LLC | 250 Gold Rush Road, Suite 8 | Lexington | KY | 40503 | (859) 309-1355 | 1 |
| Twillie | Christopher | Chris-Jay Services, LLC | 818 Ulrich Ave | Louisville | KY | 40219 | (111) 111-1111 | 1 |
| DeSalvo | Reed | Cleaning Baton Rouge | 11925 Wentling Avenue, Suite C | Baton Rouge | LA | 70816 | (225) 218-4491 | 1 |
| Katz | Brian | MLC Holdings of Louisiana, LLC | 8129 Earhart Blvd | New Orleans | LA | 70118 | (504) 309-2999 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Chase | John | JMCM Enterprises Inc | 263 Washington Street, Suite B2 | Norwell | MA | 02061 | (781) 421-3665 | 1 |
| Ofori-Asante | Kwame | OMAK, Inc. | 1000 Osgood St. Unit 1A | North Andover | MA | 01845 | (978) 208-7009 | 1 |
| Chandler | Michael | C-Five Corp. | 2914 East Joppa Road, Suite 103 | Parkville | MD | 21234 | (410) 916-7641 | 1 |
| Cox | Gary | GLC Integrity Service, Inc. | 4891 Tesla Drive #D | Bowie | MD | 20715 | (301) 352-7854 | 1 |
| Dills | Brian | PBA Dills, Inc | 304 S. Jefferson St. | Frederick | MD | 21701 | (301) 639-4647 | 1 |
| Fields | Cindy | Cleaning Up, Inc. | 19530 Doctors Dr. | Germantown | MD | 20874 | (301) 740-8101 | 1 |
| Johnson | Tammy | For The Future LLC | 348 Bynum Road | Forest Hill | MD | 21050 | (410) 420-8700 | 1 |
| Katz | Steve | KASS Incorporated | 4030A Blackburn Ln | Burtonsville | MD | 20866 | (301) 476-8555 | 1 |
| Violette | Peter | Violette Home Services, LLC | 42 Mallett Dr | Freeport | ME | 04032 | (207) 725-2936 | 1 |
| Blazejewski | Leslie | Leslie D. Blazejewski & Daniel Blazejewski | 4032 M 139, Suite 116 | St Joseph | MI | 49085 | (269) 932-3933 | 1 |
| Bridges | Timothy | Bridges Holdings, Inc. | 1170 E. Big Beaver Road | Troy | MI | 48083 | (248) 619-0945 | 1 |
| Ciuchna | Mike | MJ Design Systems, LLC | 37211 Harper Ave., Suite 8B | Clinton Township | MI | 48036 | (586) 783-4925 | 1 |
| Curatolo | Victor | Rosefield, Inc. | 57760 Main Street, Suite 1 | New Haven | MI | 48048 | (586) 749-6914 | 1 |
| Davis | Mike | MLD Enterprises | 595 S. Glaspie, Suite A | Oxford | MI | 48371 | (248) 256-7144 | 1 |
| McArthur | Sherri | Clean Home Inc. | 1056 Grant Street | Fenton | MI | 48430 | (810) 629-9251 | 1 |
| Merreot | Colleen | Cavalier Cleaners Inc. | 3901 Bestech, Unit 700 | Ypsilanti | MI | 48197 | (734) 926-0041 | 1 |
| Miller | Jim | Clean Pro | 3159 Orchard Lake Road Suite B | Keego Harbor | MI | 48320 | (248) 706-1669 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Miller | Gregory | Servanthood Industries, Inc. | 16209 South US Highway 27 | Lansing | MI | 48906 | (517) 484-2788 | 2 |
| Moriarty | Chad | Sunny Day Adventures, Inc. | 40800 Five Mile Road, Suite D | Plymouth | MI | 48170 | (734) 634-0090 | 1 |
| Tuggle | Spencer | Diatri S. Tuggle and Spencer L. Tuggle | 8675 Portage Road, Suite 2 | Portage | MI | 49002 | (248) 613-7264 | 1 |
| Brethorst | Jim | Authority Enterprises, Inc. | 7040 143rd Ave NW | Ramsey | MN | 55303 | (763) 717-9203 | 1 |
| Brix | Eric | Gretix, Inc. | 2720 Maplewood Dr. | Maplewood | MN | 55109 | (651) 493-2750 | 1 |
| Danielson | Lars | Flourish Cleaning, Inc. | 1301 Cliff Rd East, Suite 115 | Burnsville | MN | 55337 | (651) 338-0279 | 1 |
| Konchar | Jon | Quality MN, Inc. | 7132 Shady Oak Road | Eden Prairie | MN | 55344 | (319) 329-4020 | 1 |
| Greenwald | Brian | BLG Enterprises | 2 SW 2nd Street | Lees Summit | MO | 64063 | (816) 524-2532 | 1 |
| Stone | Jay | TJS Enterprises Inc | 7624 North Oak Traffic Way | Gladstone | MO | 64118 | (816) 420-0900 | 1 |
| Weintz | James“Mike ” | Weintz Cleaning, Inc. | 7 Jason Court | St Charles | MO | 63304 | (636) 922-4302 | 3[1] |
| Woytowitz | Dave | Little Buddy Corp | 115 Woods Mill Rd | Manchester | MO | 63011 | (636) 591-0199 | 1 |
| Cake | Donald | ACED Enterprises, LLC | 556 Arbor Hill Rd, Suite M | Kernersville | NC | 27284 | (336) 671-6535 | 1 |
| Haggan | John | Two Oaks, LLC | 545 Pitts School Rd NW, Suite B | Concord | NC | 28027 | (704) 599-8886 | 2 |
| Johnson | Cameron | CJ Charlotte Enterprise, LLC | 7950 Nations Ford Road, Suite 27 | Charlotte | NC | 28217 | (704) 523-3271 | 1 |
| Johnson | Ryan | HJR Holdings, Inc. | 1415 W NC Highway 54, Suite 120 | Durham | NC | 27707 | (919) 401-0200 | 1 |

[1] 1 territory operated in Illinois

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| SainzRuysschaert | Maya | ASR Investors LLC | 4810 Annelise Drive | Harrisburg | NC | 28075 | (704) 618-7465 | 1 |
| Schwartz | Jerrold | J2S Cleaning Service, LLC | 308 Pomona Drive, Suite G | Greensboro | NC | 27407 | (336) 617-3257 | 1 |
| Wittenstein | Bob | Bertram Enterprise Inc. | 2700 Gateway Centre Blvd. , Suite 750 | Morrisville | NC | 27560 | (919) 481-1219 | 2 |
| Fisher | Artis | Double A & D Inc | 6001 South 58th Street, Suite E | Lincoln | NE | 68516 | (402) 328-8632 | 1 |
| Baldino | Pete | Baldino's Cleaning Crew, Inc. | 737 Howe St | Point Pleasant | NJ | 08742 | (732) 202-7043 | 1 |
| Corcoran | Sean | Elvis Inc. | 44 Manchester Ave., Unit I | Forked River | NJ | 08731 | (732) 581-3517 | 1 |
| Kakabalia | Mehool | Sparkle Enterprises, LLC | 219 Park Ave | Scotch Plains | NJ | 07076 | (774) 641-7130 | 1 |
| Liang | Jason | Argo Investment Group, LLC | 262 Warburton Ave. | Hawthorne | NJ | 07506 | (551) 202-1012 | 1 |
| Ripley | William | KAJ Cleaning LLC | 750 South White Horse Pike, Unit #4 | Hammonton | NJ | 08037 | (856) 448-1973 | 1 |
| Samuel | Ihab | THE WONDER WORKER ENTERPRISES LLC | 32 Tennent Rd. | Morganville | NJ | 07751 | (732) 677-2229 | 1 |
| Schleicher | John | Cambiare, Inc. | 2815-C Broadbent Parkway NE | Albuquerque | NM | 87107 | (505) 610-1132 | 1 |
| Brix | Eric | Eric Brix | 6126 S. Sandhill Road Suite 100 | Las Vegas | NV | 89120 | (702) 786-6707 | 1 |
| Diller | Spencer | Vegas Cleaning Authority, Inc. | 3370 Pinks Place, Suite D | Las Vegas | NV | 89102 | (702) 765-7775 | 1 |
| Cortina | Anthony | EJC Acquistions, LLC | 1788 Penfield Rd, Suite 2 | Penfield | NY | 14526 | (585) 419-9850 | 1 |
| Huttunen | Jorma | Savonia, Inc. | 444 E Boston Post Rd, Suite 105 | Mamaroneck | NY | 10543 | (914) 939-1738 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Lalli | Tom | Paladin Cleaning Services, Inc | 6 N. Mortimer Ave, Suite 7 | Elmsford | NY | 10523 | (914) 441-0900 | 1 |
| Monkhouse | AdamW.F. | AMAS GLOBAL INC | 58 Forrest Ave | Glen Cove | NY | 11542 | | 1 |
| Mucci | Mike | Community Cleaners | 22 High Street | Huntington | NY | 11743 | (516) 965-9865 | 1 |
| Zubair | Daisy | Cleaning Experts of Clifton Park, Inc. | 1219 Oxford Place | Schenectady | NY | 12308 | (860) 985-9405 | 1 |
| Almhairat | Hakem | Hakem K. Almhairat | 120 South Roanoke Avenue | Youngtown | OH | 44515 | (330) 770-0547 | 1 |
| Bennett | Keith | KTB Management, LLC | 6371 Canterbury Drive | Hudson | OH | 44236 | (216) 906-1744 | 1 |
| Bryner | Rhonda | Top to Bottom Cleaning Service | 910B N. 21st Street | Newark | OH | 43055 | (740) 522-4462 | 1 |
| Cyganski | Nick | The Faye Group, LLC | 1551 Towpath Road, Suite 2 | Broadview Heights | OH | 44147 | (440) 877-9809 | 3 |
| Fransko | Michael | Fransko Enterprises LTD | 26314 Center Ridge Rd | Westlake | OH | 44145 | (440) 617-0311 | 1 |
| Grbac | Elvis | Grbac Enterprises, LLC | 6559A Cochran Rd | Solon | OH | 44139 | (440) 542-1594 | 1 |
| Krupa | Christian | Miami Valley Clean Supreme LLC | 1370-H North Fairfield Road | Beavercreek | OH | 45432 | (937) 426-6691 | 1 |
| Maione | Paul | Hause Sparkles Inc. | 5866 Wolfpen Pleasant Hill Road | Milford | OH | 45150 | (513) 831-2492 | 1 |
| Maione | Paul | Maione, Inc. | 6929 Tylersville Road Suite 16 | West Chester | OH | 45069 | (513) 777-2100 | 1 |
| Mougel | Jean-Francois | Mougel Services | 5553 Whipple Ave, Suite 7 | North Canton | OH | 44720 | (234) 401-9243 | 1 |
| Nelson | Ryan | RJN Cleaning, Inc | 6125 Ryan Woods Way | Hillard | OH | 43026 | (614) 783-1415 | 1 |
| Purdy | John | D & J Cleaning Systems, LLC | 1349 Community Park Dr | Columbus | OH | 43229 | (614) 865-1297 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Ayers | Brad | BKTK, LLC | 4652A S. May Ave. | Oklahoma City | OK | 73119 | (405) 537-2438 | 1 |
| Braisher | Tony | TCB Clean Homes LLC | 8958 S. Western Ave. | Oklahoma City | OK | 73139 | (405) 609-8952 | 1 |
| McGrath | Tom | PBJX2, Inc. | 850 S Aspen Ave | Broken Arrow | OK | 74012 | (539) 333-2477 | 1 |
| Arenz | John | JKA Ventures | 2020 NE Aloclek Dr, Suite 116 | Hillsboro | OR | 97124 | (503) 617-2983 | 2[2] |
| Arzner | John | Arzbro Corporation | 2265 Country Club Road | Woodburn | OR | 97071 | (503) 982-8255 | 1 |
| Barrows | Dan | DLB Enterprises, LLC | 609 Vanadium Road | Bridgeville | PA | 15017 | (412) 257-3771 | 1 |
| Cavallaro | Mike | CAVLTD LLC | 4773 William Flynn Highway | Allison Park | PA | 15101 | (412) 767-8803 | 1 |
| Duncan | Marlin | Duncan & Duncan Enterprises Limited Liability Company | 416 Union Street | Pringle | PA | 18709 | (570) 931-4300 | 1 |
| Finicle | Nicholas | NJKB, LLC | 1861 Charter Lane | Lancaster | PA | 17601 | (717) 869-6156 | 1 |
| Helak | Matt | Philagreen, Inc. | 629 N. Pottstown Pike | Exton | PA | 19341 | (610) 563-0103 | 1 |
| Kim | Young | Grace Star Services Inc. | 406 West Street Road | Feasterville | PA | 19053 | (267) 397-0083 | 2 |
| Yeisley | Dave | Dirty Dozen9 LLC | 3364 Paxton St. | Harrisburg | PA | 17111 | (717) 695-9830 | 1 |
| Volante | Peter | PK & J Ventures Inc. | 25 Western Industrial Drive | Cranston | RI | 02921 | (401) 678-0127 | 1 |
| Ballard | Dave | Clean GVL, LLC | 1200 Woodruff Rd., Suite H-5 | Greenville | SC | 29607 | (864) 605-7181 | 1 |
| Ballard | Dave | ResClean, Inc. | 5521 N. Rhett Avenue | North Charleston | SC | 29406 | (843) 793-4271 | 1 |

[2] 1 territory operated in Washington

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Lemos | Eduardo | L2B Cleaning Services LLC | 3711-B Seawright Rd. | Columbia | SC | 29210 | (803) 602-5746 | 1 |
| Pohorsky | JamesWilliam | Cyclone Phohos, LLC | 61 Riverwalk Blvd Suite F | Ridgeland | SC | 29936 | (843) 645-4113 | 1 |
| DeLorme | Peter | PSquared Strategies, Inc. | 10710 Kingston Pike, Suite A | Knoxville | TN | 37934 | (865) 288-0080 | 1 |
| Francescon | Sam | Francescon Enterprises, Inc. | 4825 Trousdale Dr, Suite 104 | Nashville | TN | 37220 | (615) 668-4482 | 2 |
| Jones | Doug | Gator Nat'l Enterprises, LLC | 21-A S. Lowry Street | Smyrna | TN | 37167 | (615) 714-8199 | 1 |
| McCuistion | Sandy | Water's Edge 94, LLC | 6138 Preservation Drive, Suite 200 | Chattanooga | TN | 37416 | (423) 667-5944 | 1 |
| Roland | Rick | MidSouth Home Cleaning Services, Inc. | 310 Walnut Bend Rd. South, Suite 10 | Cordova | TN | 38018 | (901) 751-9927 | 1 |
| Abdelhadi | Yasmin | Yasmin & Mohamed Abdelhadi | 1200 Oakley Drive | Murphy | TX | 75094 | miua.miua.ny@gmail.com | 1 |
| Blubaugh | Randy | Blu Lidal Holdings, LLC | 850 E Arapaho Rd, Suite 250 | Richardson | TX | 75081 | (817) 681-2012 | 1 |
| Bratton | Steve | S&K Bratton Enterprises, Inc. | 7511A Boulevard 26 | North Richland Hills | TX | 76180 | (817) 577-7144 | 1 |
| Canonica | Matt | Canonica Enterprises, Inc. | 25302 FM 2978 Rd | Tomball | TX | 77375 | (281) 516-2444 | 1 |
| Dierksheide | Jarod | JD2, LLC | 1438 Crescent Dr, Suite 100 | Carrollton | TX | 75006 | (469) 289-0026 | 1 |
| Grewal | Jas | Patriot Cleaning, LLC | 100 E NASA Pkwy #411 | Webster | TX | 77598 | (832) 377-8585 | 1 |
| Hahn | Adriana | SA Clean Inc. | 12711 Spectrum Dr., Suite 201 | San Antonio | TX | 78249 | (210) 558-3636 | 1 |
| Hilburn | Jim | JSDM, Inc | 226 FM 359 | Richmond | TX | 77406 | (281) 343-5210 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Johnston | David | Snowman Works, Inc | 1475 Heritage Pkwy, Suite 329 | Mansfield | TX | 76063 | (817) 225-4262 | 1 |
| Knox | Bryan | Knox Residential Cleaning Inc. | 1700 Bryant Drive Suite #204 | Round Rock | TX | 78664 | (512) 255-8354 | 1 |
| Lenard | Gary | Meticulous Maids, LLC | 8806 Tradeway St. | San Antonio | TX | 78217 | (210) 882-0326 | 1 |
| Liedeker | Drew | Sunshine Cleaning of Austin | 5555 N. Lamar Blvd, Suite E-117 | Austin | TX | 78751 | (512) 454-6425 | 1 |
| Lisk | Demetria | Clover Clean, Inc. | 10645 Richmond Ave Suite 150 | Houston | TX | 77042 | (713) 334-2928 | 1 |
| Montoya | Gabriela | AGAS Holding Inc. | 2526 Mañana Rd, Suite 103 | Dallas | TX | 75220 | (469) 802-9997 | 1 |
| Moser | OscarThomas | TDHG Service Corp | 1032 First Street Suite D | Humble | TX | 77338 | (281) 433-7050 | 1 |
| Newberg | Barry | KNB Partners Cleaning LLC | 602 E Main St, Suite D | Allen | TX | 75002 | (469) 656-1174 | 1 |
| Pack | Matthew | Schertz | 9330 Corporate Dr., Ste 308 | Selma | TX | 78154 | (210) 782-4125 | 1 |
| Reynolds | Jack | JZA, Inc. | 5292B Trail Lake Drive | Fort Worth | TX | 76133 | (817) 423-9900 | 1 |
| Villa | David | Only Believe Inc. | 13096 County Road 192 | Tyler | TX | 75703 | (903) 245-0399 | 1 |
| Hurd | Michael | Clean Craft Provo, LLC | 2854 S. Redwood Rd., C-3 | West Valley City | UT | 84119 | (801) 746-8355 | 2 |
| Rees | Scott | Vandalay, LLC | 7127 South 400 West, Suite 8 | Midvale | UT | 84047 | (801) 569-8797 | 1 |
| Caison | Sonja | Caison Financial | 8808 Pear Tree Court Suite E | Alexandria | VA | 22309 | (703) 619-6200 | 1 |
| Cape | Edwin | Cape Cleaning, Inc. | 34 Newmarket Square | Hampton | VA | 23605 | (757) 927-1276 | 1 |
| Keyser | Janel | Keyser Enterprises, LLC | 722 East Market Street #201 | Leesburg | VA | 20176 | (571) 291-9746 | 2 |
| Lord | Stephen | Greener House Cleaner | 239 E German School Rd | Richmond | VA | 23224 | (804) 273-0757 | 1 |

| Last Name | First Name | Entity Name | Address | City | State | Zip Code | Telephone Number/ Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Peterson | Larry | Peterson Holdings, Inc. | 4920 Southpoint Dr. | Fredericksburg | VA | 22407 | (240) 367-0729 | 1 |
| Pimentel | Eddie | Wallace Enterprises, Inc. | 2981 Prosperity Ave | Fairfax | VA | 22031 | (703) 532-0010 | 1 |
| Rivera | David | D.B.&K Enterprises, Inc. | 178C Thalia Village Shoppes | Virginia Beach | VA | 23452 | (757) 368-7000 | 1 |
| Andal | Kevin | A&A Ventures LLC | 235 SW 41st St | Renton | WA | 98057 | (253) 246-7788 | 1 |
| Arenz | John | West Coast Home Services LLC | 2747 Pacific Avenue SE, Suite C-2 | Olympia | WA | 98501 | (360) 956-3363 | 1 |
| McMahon | Paul | PSM Northwest, Inc. | 125 E North Bend Way | North Bend | WA | 98045 | (425) 292-9643 | 1 |
| Oakley | Shannon | Shannon E. Oakley | 109 South Scott Street, Suite C4 | Spokane | WA | 99202 | (509) 242-0826 | 1 |
| Decoste | Jeff | JD Services, Inc. | 19450 Janacek Ct | Brookfield | WI | 53045 | (262) 784-9400 | 1 |
| Lanagan | Chris | The Lanagan Group, LLC | W67 N 222 Evergreen Blvd., Suite 115 | Cedarburg | WI | 53012 | (262) 375-4092 | 3 |
| Schmidt | Jeremy | Nekimi Holdings LLC | 3020 E. College Ave, Suite E | Appleton | WI | 54915 | (920) 379-0958 | 1 |

**FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED**

**As of December 31, 2022**

| Last Name | First Name | Franchise Entity | Street Address | City | State | Zip Code | Telephone Number/Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Berezowsky | Michelle | SUPERPRO CLEANING ORLANDO LLC | 8990 Ace Loop | Champions Gate | FL | 33896 | (407) 873-2972 | 1 |
| Depew | Gary M. | Gary M. Depew and Adres F. Depew | 416 Isle of Capri Drive | Fort Lauderdale | FL | 33301 | (626) 493-0118 | 1 |
| Hendy | Leon | Leon Hendy | 2514 Hollywood Boulevard, Unit 408 | Hollywood | FL | 33020 | (215) 345-6789 | 1 |
| Hendy | Rosa | Rosa Hendy & Salomon Hendy | 21120 NE 22 Court | Miami | FL | 33180 | (786) 683-9550 | 1 |
| Tebes | Carolina Andrea | TEBES LLC | 304 Indian Trace #626 | Weston | FL | 33326 | carolinatebes@gmail.com | 1 |
| Humecki | Zahra | HUMECKI LLC | 611 Parkway Dr. | Wheaton | IL | 60187 | (630) 868-0660 | 1 |
| Blazejewski | Daniel | LDB Family Cleaning Services Corporation | 2589 Bell Circle | Stevensville | MI | 49127 | blazedan11@gmail.com | 1[3] |
| Loeffler | Dustin | Dustin R. Loeffler | 521 West Washington Avenue | Kirkwood | MO | 63122 | (618) 741-3705 | 1 |
| Pinder | Bryce K. | Bryce K. Pinder | 15195 SW Basalt Court | Beaverton | OR | 97007 | (801) 310-8539 | 1 |
| Bongaardt | John Clark | The Bongaardts Clean Up LLC | 336 Hawarden Road | Springfield | PA | 19064 | (610) 543-1012 | 1[4] |

[3] Territory operated in Illinois

[4] Territory operated in Florida

| Last Name | First Name | Franchise Entity | Street Address | City | State | Zip Code | Telephone Number/Email Address | # of Territories |
|---|---|---|---|---|---|---|---|---|
| McCuistion | Christa | Edward E. McCuistion and Christa C. McCuistion | 1827 Creek Way Drive | Doltewah | TN | 37363 | (423) 667-5944 | 1[5] |
| Aquino Gonzalez | Iris Yanet | Gabino Aquino Gonzalez and Iris Yanet Aquino Gonzalez | 5900 Balcones Drive, Suite 100 | Austin | TX | 78731 | iris.yag@gmail.com | 1 |
| Barreras | Abigail J. | Anthony J. Barreras, Mimi M. Barreras, Abiilgail J. Barreras | 1926 Timber Ranch | Magnolia | TX | 77355 | (281) 830-2749 | 2 |

[5] Territory operated in Alabama

# EXHIBIT G

## FRANCHISEES WHO EXITED A FRANCHISE IN 2022

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

**FRANCHISEES WHO EXITED A FRANCHISE IN 2022**

| Last Name | First Name | Entity | Address | City | State | Zip Code | Telephone Number | # of Territories |
|---|---|---|---|---|---|---|---|---|
| Lewis | Kent | TCA West, Inc. | 817 Arnold Drive, Bay 3 | Martinez | CA | 94553 | (925) 459-1377 | 1 |
| Hall | Jennifer | Hall Cleaning Enterprises, Inc. | 1165 E. Plant St., Suite 18 | Winter Garden | FL | 34787 | (321) 422-4219 | 1 |
| Clifford | Marie | Evergreen Clean, LLC | 14235 Ambaum Blvd. SW | Burien | WA | 98166 | (206) 352-9555 | 1 |

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

**EXHIBIT H**

**OPERATIONS MANUAL TABLE OF CONTENTS**

## BRAND STANDARDS MANUAL TABLE OF CONTENTS

**FRANCHISE OPERATIONS MANUAL**


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**Total Number of Pages: 186**


FRANCHISE OPERATIONS MANUAL
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**EXHIBIT I**

**FINANCIAL STATEMENTS**

# AB Assetco LLC and Subsidiaries

**Consolidated Financial Statements**

**Year Ended December 31, 2022 and for the Period From May 14, 2021 to December 31, 2021**

**AB Assetco LLC and Subsidiaries**
**Index to Consolidated Financial Statements**
**Year Ended December 31, 2022 and for the**
**Period From May 14, 2021 to December 31, 2021**


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## Report of Independent Auditors

To the Board of Directors of Authority Brands Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of AB Assetco LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and December 31, 2021, and the related consolidated statements of operations, of changes in member's equity and of cash flows for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

April 21, 2023

**AB Assetco LLC and Subsidiaries**
**Consolidated Balance Sheets**
**(*In thousands*)**

| | As of December 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 217 | $ 8,169 |
| Accounts receivable, net | 21,716 | 20,305 |
| Inventory, net | 2,789 | 2,797 |
| Prepaid expenses and other current assets | 5,526 | 3,540 |
| Total current assets | 30,248 | 34,811 |
| Property and equipment, net | 32,039 | 28,249 |
| Intangible assets, net | 416,494 | 403,927 |
| Goodwill | 291,784 | 248,871 |
| Other assets | 9,547 | 8,761 |
| Total assets | **$ 780,112** | **$ 724,619** |
| **Liabilities and Member's Equity** | | |
| Current liabilities | | |
| Accounts payable | $ 1,714 | $ 420 |
| Accrued and other liabilities | 10,194 | 13,691 |
| Deferred revenue | 3,499 | 3,946 |
| Total current liabilities | 15,407 | 18,057 |
| Other long-term liabilities | 28,775 | 17,705 |
| Total liabilities | **44,182** | **35,762** |
| Member's equity | 735,930 | 688,857 |
| Total liabilities and member's equity | **$ 780,112** | **$ 724,619** |

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

**AB Assetco LLC and Subsidiaries**
**Consolidated Statements of Operations**
**(*In thousands*)**

| | Year Ended | For the Period From |
|---|---|---|
| | December 31, 2022 | May 14, 2021 to December 31, 2021 |
| **Revenues** | | |
| Franchise service fees | $ 154,607 | $ 85,659 |
| Franchise sales fees | 5,045 | 2,736 |
| Other revenues | 31,121 | 15,737 |
| Total revenues | 190,773 | 104,132 |
| **Costs and expenses** | | |
| Franchise support expenses | 92,890 | 42,359 |
| Franchise sales expenses | 2,520 | 2,049 |
| General and administrative expenses | 23,692 | 20,103 |
| Stock-based compensation expenses | 4,409 | 5,950 |
| Depreciation and amortization | 30,882 | 19,306 |
| Total costs and expenses | 154,393 | 89,767 |
| Operating income | 36,380 | 14,365 |
| Interest income (expense), net | 185 | (25) |
| **Net income** | **$ 36,565** | **$ 14,340** |

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

**AB Assetco LLC and Subsidiaries**
**Consolidated Statements of Changes in Member's Equity**
**Year Ended December 31, 2022 and for the**
**Period From May 14, 2021 to December, 31 2021**
**(*In thousands*)**

| | Total Member's Equity |
|---|---|
| **Balances at May 14, 2021** | **$ 10,000** |
| Contributions of assets and liabilities | 684,482 |
| Stock-based compensation | 5,950 |
| Distribution to Guarantor | (25,915) |
| Net income | 14,340 |
| **Balances at December 31, 2021** | **688,857** |
| Contributions of assets and liabilities | 75,743 |
| Stock-based compensation | 4,409 |
| Distribution to Guarantor | (69,644) |
| Net income | 36,565 |
| **Balances at December 31, 2022** | **$ 735,930** |

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

**AB Assetco LLC and Subsidiaries**
**Consolidated Statements of Cash Flows**
**(*In thousands*)**

| | Year Ended December 31, 2022 | For the Period From May 14, 2021 to December 31, 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 36,565 | $ 14,340 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 37,282 | 20,460 |
| Inventory reserve (reduction) increase | (41) | 337 |
| Bad debt expense | 1,025 | 570 |
| Stock-based compensation | 4,409 | 5,950 |
| Changes in assets and liabilities | | |
| Accounts receivable | (2,037) | (5,961) |
| Inventory | 49 | (592) |
| Prepaid expenses and other current assets | (1,884) | 842 |
| Other assets | (785) | (1,515) |
| Accounts payable | 421 | 220 |
| Accrued liabilities | (3,838) | (2,754) |
| Other liabilities | 6 | (183) |
| Deferred revenue | 2,528 | 1,915 |
| Net cash provided by operating activities | 73,700 | 33,629 |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | (491) | (7,021) |
| Capitalized software development costs | (11,517) | (2,524) |
| Net cash used in investing activities | (12,008) | (9,545) |
| **Cash flows from financing activities** | | |
| Distribution to Guarantor | (69,644) | (25,915) |
| Net cash used in financing activities | (69,644) | (25,915) |
| **Decrease in cash and cash equivalents** | (7,952) | (1,831) |
| **Cash and cash equivalents** | | |
| **Beginning of year** | $ 8,169 | $ 10,000 |
| **End of year** | **$ 217** | **$ 8,169** |
| | | |
| **Supplemental disclosures of cash flow information** | | |
| Interest paid | $ 12 | $ 7 |
| **Noncash investing and financing activities** | | |
| Capital expenditures included in accrued liabilities | 860 | 1,049 |
| Contribution of assets and liabilities, net of cash | 75,564 | 684,482 |

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

## 1. Organization and Description of Business

AB Assetco LLC and Subsidiaries ("the Company" or "AB Assetco"), a Delaware limited liability company, is the parent company of a number of franchisors and related businesses operating in the United States. On March 24, 2021, in contemplation of a whole business securitization (the "Securitization Transaction") which was completed on May 14, 2021 ("Securitization Transaction Date") see Note 2, fifteen wholly owned entities were established by Authority Brands Inc., the entity controlling AB Assetco (the "Parent"). The first three entities formed in conjunction with the planned Securitization Transaction were AB SPE Guarantor LLC and Subsidiaries ("Guarantor"), a direct, wholly-owned subsidiary of the Parent, AB Issuer LLC and Subsidiaries ("Issuer"), a newly formed special purpose Delaware limited liability company, which is directly and wholly owned by Guarantor, AB Assetco LLC and Subsidiaries, which is directly and wholly owned by Issuer.

AB Assetco wholly owns the following Special Purpose Entities ("SPE"):

- The Cleaning Authority Franchising SPE LLC ("The Cleaning Authority Franchisor")
- Homewatch CareGivers Franchising SPE LLC ("Homewatch Franchisor")
- Mosquito Squad Franchising SPE LLC ("Mosquito Squad Franchisor")
- ASP Franchising SPE LLC ("ASP Franchisor")
- Benjamin Franklin Franchising SPE LLC ("Benjamin Franklin Franchisor")
- Mister Sparky Franchising SPE LLC ("Mister Sparky Franchisor")
- One Hour Air Conditioning Franchising SPE LLC ("One Hour Air Conditioning Franchisor")
- Monster Franchising SPE LLC ("Monster Franchisor")
- STOP Franchising SPE LLC ("STOP Franchisor")
- DoodyCalls Franchising SPE LLC ("DoodyCalls Franchisor")
- BuyMax SPE LLC ("BuyMax SPE")
- Successware SPE LLC ("SuccessWare SPE")
- Junkluggers Franchising SPE LLC ("Junkluggers Franchising SPE") – formed in 2022

The consolidated financial statements of the Company includes its wholly owned subsidiaries identified above. Guarantor and the Company are collectively referred to as Guarantors. Guarantor, Issuer, AB Assetco and its subsidiaries are collectively referred to as "Securitization Entities".

Concurrent with the Securitization Transaction, the Parent contributed assets and liabilities attributable to the Securitization Entities to Guarantor. Guarantor then contributed all its assets and liabilities to Issuer and Issuer contributed all its assets and liabilities received from Guarantor to AB Assetco. Following the initial contribution, subsequent franchises sold under the SPE trade names are sold by each individual SPE entity. As these transactions represented an asset transfer among entities under common control, the transfers were accounted for by the Company at historical carrying values on a prospective basis.

Other than a cash contribution of $10,000 from Parent, the Company had no significant activity from the date of formation to the Securitization Transaction Date. Accordingly, the Company and its subsidiaries commenced operations on May 14, 2021, and approximately seven and a half months of operating activity was included in the accompanying consolidated financial statements for the period from May 14, 2021 to December 31, 2021.

On November 30, 2022 ("HELOC Transaction Date"), Binford Aggregator LP, a Delaware limited partnership, ("the Buyer"), indirectly owned by affiliates of Apax Partners Fund X and British Columbia Investment Management Corporation ("BCI"), became the sole limited partner of Authority Brands Inc.'s Parent, Villa Aggregator LP (the "Partnership" or the "Seller"), indirectly owned by Apax Partners Fund IX, whereby the Buyer acquired 100% of the issued and outstanding equity interests of Villa Aggregator LP (collectively the "HELOC Transaction"). The HELOC Transaction qualified as a change of control in accordance with ASC 805. However, the Company has not elected pushdown accounting as a result of the HELOC Transaction and accordingly, the acquisition is not reflected in these consolidated financial statements.

In connection with the HELOC Transaction, the Parent entered into the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"). All awards granted and outstanding under the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the "2018 Plan") vested as of the HELOC Transaction Date, as a result of the change in control, and were rolled over or settled in cash on the HELOC Transaction Date. As a result, the Parent allocated stock-based compensation expense for the awards attributed to the Company that vested on the HELOC Transaction Date. Refer to Note 11 Stock-based Compensation for further information.

The Company is a single member LLC and is governed by the March 24, 2021 Limited Liability Company Agreement of AB Assetco LLC, as subsequently amended and restated on May 14, 2021, the same date as the Company commenced operations. The Company's fiscal year ends on December 31. Dollar values presented in the consolidated financial statements are in thousands of U.S. dollars, unless otherwise stated.

Franchised outlets as of December 31, 2022 and 2021 are summarized as follows:

| | Franchises as of December 31, 2021 | Acquired During the Period | Opened During the Period | Closed During the Period | Reacquired by Franchisor | Franchises as of December 31, 2022 |
|---|---|---|---|---|---|---|
| Ben Franklin | 256 | - | 24 | (4) | - | 276 |
| Mister Sparky | 116 | - | 23 | - | - | 139 |
| One Hour | 340 | - | 16 | (5) | - | 351 |
| Homewatch | 212 | - | 22 | (10) | - | 224 |
| Mosquito Squad | 223 | - | 5 | (13) | - | 215 |
| The Cleaning Authority | 209 | - | 10 | (3) | - | 216 |
| America's Swimming Pool | 345 | - | 37 | (21) | - | 361 |
| Monster | 244 | - | 12 | (9) | - | 247 |
| DoodyCalls | 54 | - | 22 | (3) | - | 73 |
| STOP/DRYmedic | 28 | - | 2 | (3) | - | 27 |
| Junkluggers | - | 95 | 29 | (8) | (3) | 113 |
| **Total** | **2,027** | **95** | **202** | **(79)** | **(3)** | **2,242** |

## 2. Securitization Transaction and Contributed Assets and Liabilities

Prior to the Securitization Transaction, Parent contributed cash of $10,000 to the Company. Additionally, on the Securitization Transaction Date, Parent and its subsidiaries contributed assets and liabilities attributable to the Company.

The following table summarizes the historical carrying values of the assets and liabilities contributed to the Company on May 14, 2021:

| | May 14, 2021 |
|---|---|
| Accounts Receivables | $ 14,914 |
| Prepaid expenses and other current assets | 4,382 |
| Inventory | 2,541 |
| Property and equipment, net | 19,621 |
| Goodwill | 249,072 |
| Intangible assets, net | 422,096 |
| Other long term assets | 7,225 |
| Deferred revenue | (7,384) |
| Other current liabilities | (15,612) |
| Other long term liabilities | (12,373) |
| **Total contribution to AB Assetco** | **$ 684,482** |

**Junkluggers**
On December 14, 2022, the Parent entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of Junkluggers Franchising, LLC. Subsequent to the acquisition, on December 31, 2022, the Parent formed Junkluggers Franchising SPE, LLC and legally contributed the assets and liabilities of Junkluggers Franchising, LLC to the Company. The following table summarizes the historical carrying values of the assets and liabilities contributed to the Company on December 31, 2022.

| | December 31, 2022 |
|---|---|
| Cash | $ 179 |
| Accounts Receivables | 399 |
| Prepaid expenses and other current assets | 103 |
| Goodwill | 42,913 |
| Intangible assets, net | 36,898 |
| Deferred revenue | (8,089) |
| Other current liabilities | (1,405) |
| **Total contribution to AB Assetco** | **$ 70,998** |

**DRYmedic**
On November 4, 2022, the Parent entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of DRYmedic Restoration Services, LLC and its subsidiaries. Subsequent to the acquisition, on November 22, 2022, the Parent legally contributed the trademark of DRYmedic to STOP Franchisor with fair value of $4,745.

## 3. Summary of Significant Accounting Policies

**Financial Statement Preparation and Principles of Consolidation**
The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles and practices of the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries outlined in Note 1. All intercompany accounts and transactions have been eliminated in consolidation. There is no other comprehensive income, and net income equals comprehensive income. Due to the Securitization Transaction, the accompanying consolidated financial statements are presented for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021.

Parent uses a centralized approach to payments and cash management. These arrangements are not reflective of the manner in which the Company would have operated had it been a stand-alone business separate from Guarantor and the Parent during the periods presented. Centralized payment arrangements, to the extent not settled, are reflected as due to Guarantor on the consolidated balance sheets. As of December 31, 2022 and 2021, there are no amounts due to Guarantor but rather, for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, the Company made periodic distributions in excess of the amounts due to Guarantor. Net distributions in the amount of $69,644 and $25,915 are reflected in the consolidated statements of changes in member's equity as distribution to Guarantor for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, respectively.

Parent provides a variety of services to the Company. The consolidated statements of operations include direct expenses, such as compensation and benefits for employees of the Company, that would have been incurred in the ordinary course of business if the Company had operated as a stand-alone company. Such direct expenses were included based on specific identification and are reflected primarily in franchise support expenses. The consolidated statements of operations also include expense allocations for services and certain support functions that are provided on a centralized basis by Parent such as legal, business development, human resources, corporate accounting and finance, treasury and various other Parent corporate functions. These Parent expenses are allocated by either specific identification or based on revenue of the Company relative to the Parent's other subsidiaries and are reflected in the consolidated statements of operations primarily in general and administrative expenses.

For the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, the Parent allocated $10,191 and $7,050, respectively, of general and administrative expenses to the Company. For the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, the Parent allocated $4,409 and $5,950 of stock-based compensation expense, respectively, of which $3,181 and $1,390 was specific identification by unit holder and $1,228 and $4,560 was allocated based on revenue, respectively. Refer to Note 12 Related Parties for further information.

**Use of Estimates**
The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The areas that require the use of management estimates include stock-based compensation and the carrying value of goodwill. Actual results could differ from those estimates.

**Revenue Recognition**
Revenue is recognized in accordance with Accounting Standards Codification ("ASC") 606 - Revenue from Contracts with Customers, using a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

The following describes principal activities from which the Company generates its revenues and the associated revenue recognition policies:

*Franchise Revenue*
Franchise revenue consists of royalty, national advertising, local advertising, software fees, call center and initial franchise fees charged to franchisees. The Company administers the national advertising fund ("NAF") which is funded by the franchisees and is used to pay for the costs of preparing and producing various advertising and marketing materials for the franchisees.

The Company's primary performance obligation under franchise agreements is granting rights to use the Company's intellectual property over the term of the franchise agreement. Brand royalty and NAF fees are primarily based on a percentage of franchisee sales and the Company recognizes revenue for these fees as they become billable when the underlying franchisee sales occur. These fees are generally billed on a monthly basis. Fixed franchise and NAF fees, which are included in certain brand franchise agreements, are recognized on a straight-line basis over the franchise agreement term. Initial franchise fees are not associated with a service distinct from the overall initial franchise right performance obligation and are therefore recognized on a straight-line basis over the franchise agreement term. The advertising funded through the NAF benefits the franchise brands overall, rather than the individual franchise owners, and therefore is not a performance obligation separate from the overall franchise right. Any underspending of NAF contributions is recorded as accrued and other liabilities on the consolidated balance sheets.

Local advertising, software and call center services provide a distinct benefit from the franchise right and are therefore separate performance obligations. Fees associated with these services are generally billed as a monthly fixed or usage-based amount and are recognized as revenue as the services are performed either on a straight-line basis over the contract term if the fee is fixed or as invoiced if the fee is based on usage.

Franchise revenue, except for initial franchise fees, is included in franchise services fees on the consolidated statements of operations. Initial franchise fees are included in franchise sales fees on the consolidated statements of operations.

*Product Sales Revenue*
The Company sells products to franchisee and non-franchisee customers. Revenue for product sales in which the Company has inventory risk is recognized at a point in time when control transfers to the buyer, which is generally when the product is shipped to the customer. Payment is due within a short period of time after the shipment.

The Company acts as an agent in respect of certain third-party products that are sold through the Company's online platform. The Company has no inventory risk on these products as they are drop shipped to the end customer and the third-party vendor is primarily responsible for fulfilling the order. The Company therefore recognizes revenue at an amount equal to the net fees received after payment to the third-party vendor.

The Company recognized $9,588 and $5,620 of revenue from Product sales for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, respectively in other revenues on the consolidated statements of operations.

Obligations arising for returns, refunds, and other assurance warranties are infrequent and are not significant to the consolidated financial statements for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

*Rebates*
Rebates received from third-party vendors in return for the Company maintaining a buying program that connects the vendors with the Company's franchisee customers are recognized as revenue as they become due, which is generally on a monthly basis. Rebates are calculated as a percentage of third-party sales. The Company recognized $15,906 and $7,399 of rebates in other revenue on the consolidated statements of operations for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021.

*Software Service Revenue*
Software service revenue consists of the Company's software and mobile product services that are provided on a continuous basis for the contractual period. Where the Company has determined that the customer obtains a right to access software services, the Company recognizes revenue on a straight-line basis over the contractual term beginning when the customer has access to the service. Software service revenue is typically billed on a monthly basis. The Company's performance obligation is satisfied evenly over time. The Company recognized $7,084 and $6,752 of software service revenue for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, respectively, in franchise service fees on the consolidated statements of operations.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

*Contract Balances*
Contract assets, which relate to fixed franchise and NAF fees for certain franchise agreements, are amounts for which revenue has been recognized but the Company's right to consideration is conditional upon performing further service. Current contract assets are included in prepaid expenses and other current assets. The long-term contract asset balance is included in other assets on the consolidated balance sheets.

Contract liabilities are amounts collected, or an unconditional right to consideration (receivable) in advance of delivery of goods or services. Contract liabilities are typically related to billed amounts for obligations that have not yet been satisfied and therefore may not be recognized until conditions of the contract are met. Contract liabilities consist of initial franchise fees. Initial franchise fees are collected near the execution date of the franchise agreement and recognized on a straight-line basis over the franchise agreement term. The current portion of contract liabilities is included in deferred revenue on the consolidated balance sheets. Long-term contract liabilities are included in other long-term liabilities on the consolidated balance sheets.

The following table presents closing balances of contract assets and liabilities as of December 31, 2022 and 2021:

| | Balance at December 31, | | Location on the Consolidated Balance Sheets |
|---|---|---|---|
| | 2022 | 2021 | |
| Contract assets - short-term | $ 406 | $ - | Prepaid expenses and other current assets |
| Contract assets - long-term | - | 406 | Other assets |
| Contract liabilities - short-term | 3,499 | 2,952 | Deferred revenue |
| Contract liabilities - long-term | 28,439 | 17,375 | Other long-term liabilities |

The Company recognized revenue of $3,609 and $1,765 for amortization of initial franchise fees for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021 in franchise sales fees on the consolidated statements of operations, respectively.

*Costs Incurred to Obtain a Contract with Customers*
The Company capitalizes commissions paid to brokers that are a direct result of obtaining a new franchise agreement and amortizes these costs over the franchise agreement period. These costs are capitalized in prepaid expenses and other current assets and other assets on the consolidated balance sheets. The Company recognized $675 and $334 of commission costs in franchise support expenses on the consolidated statements of operations for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, respectively.

**Accounts Receivable and Allowance for Doubtful Accounts**
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Uncollectible accounts are written off against the allowance when collection of the amounts appears doubtful. As of December 31, 2022 and 2021 the allowance for doubtful accounts was $2,356 and $1,557, respectively. As of December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, the Company recognized bad debt expense of $1,025 and $570 and had write-offs of uncollectible accounts of $403 and $29, respectively.

**Cash and Cash Equivalents**
The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents. Cash consists primarily of cash on hand and cash on deposit. The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

**Inventory**
Inventory consists of products, materials and equipment to be sold and is stated at the lower of cost or net realizable value, with cost determined using weighted-average, on a first-in, first-out method. Inventory is assessed on an annual basis for slow moving and obsolete items and as of December 31, 2022 and 2021, the Company had an inventory reserve of $416 and $457, respectively.

**Property and Equipment**
Property, and equipment is stated at historical cost and depreciated using the straight-line method over the estimated useful life of the assets. Additions and betterments are capitalized, maintenance and repairs which do not extend the useful life of the assets are expensed as incurred in general and administrative expenses on the consolidated statements of operations.

**Capitalized Software, Net**
The Company capitalizes certain costs incurred in the development of various internally used software platforms, in accordance with ASC 350-40, “Internal-Use Software”, which requires certain costs incurred during the application development stage be capitalized and other costs incurred during the preliminary project and post-implementation stages be expensed as they are incurred. The Company also develops software platforms and mobile applications to be sold and capitalizes costs in accordance with ASC 985-20, “Software - Cost of Software to be Sold, Leased or Marketed”, which requires development costs incurred in the research and development of new software products be expensed as incurred until technological feasibility, in the form of a working model, has been established, at which time such costs are capitalized until the product is available for general release to customers.

The Company capitalizes software development costs when the preliminary project stage is completed and the technological feasibility is established. Capitalized costs include personnel and related expenses for employees and third-party contractors who are directly associated with and who devote time to software projects. Any costs incurred to significantly upgrade or enhance the Company's software platform are also capitalized. Costs related to the preliminary project activities and post-implementation support activities are expensed as incurred. Amortization of capitalized software costs accounted for in accordance with ASC 350-40 and ASC 985-20 are recognized in depreciation and amortization and franchise support expenses, respectively, on the consolidated financial statements using a straight-line method over an estimated useful life of three to five years for mobile applications and software platforms, respectively.

**Leases**

Leases are not significant for the Company as the Parent is the primary obligor of the majority of lease contracts. Further, the Company does not lease any significant office space directly for its own benefit. As such, rent expense is allocated from the Parent to the Company and is recognized in general and administrative expenses on the consolidated statements of operations.

Effective January 1, 2022, the Company adopted ASC Topic 842 Leases ("ASC 842") and applied the transition option, whereby prior comparative periods were not retrospectively presented in the consolidated financial statements. Under ASC 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified asset(s) for a period of time in exchange for consideration. Contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Company has the right to substantially all of the economic benefits of the assets and the ability to direct how and for what purpose the assets are used during the lease term. Leases are classified as either operating or financing.

Finance and operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the future minimum lease payments over the lease term. The lease term represents the non-cancelable period of the lease, including any lessee options to renew, extend, or terminate which are considered to be reasonably certain of exercise. The Company did not include options to renew within the Company's lease terms as they are not reasonably certain to exercise.

As of December 31, 2022, there were no significant assets or liabilities recognized in connection with the adoption of ASC 842.

For operating leases, the Company utilizes the private company practical expedient for discount rates and uses a risk-free rate when the discount rate is not readily determinable in the lease. The Company recognizes lease expense for fixed lease payments on operating leases on a straight-line basis over the lease term, while variable lease payments are recognized as incurred.

Assets held under finance leases are included in property and equipment on the consolidated balance sheets and are amortized over the lesser of the term of the related lease or the estimated useful life of the asset. For financing leases, the implied rate is utilized based on the monthly interest disclosed by vendors on monthly invoicing.

The Company applies the short term lease exemption and does not recognize ROU assets and lease liabilities for leases with a lease term less than 12 months for all asset classes. The Company has elected to not separate lease and non-lease components (such as common area maintenance) when amounts are fixed, determinable and combined within monthly lease payment.

The Company evaluates whether events and circumstances have occurred that indicate right-of-use assets have been impaired. Measurement of any impairment of such assets is based on their fair values. Once a right-of-use asset for an operating lease is impaired, the carrying amount of the right-of-use asset is reduced through expense and the remaining balance is subsequently amortized on a straight-line basis.

**Intangible Assets**

Intangible assets consist of trademarks, franchise relationships, software, proprietary processes, and noncompetition agreements. Intangible assets are stated at their estimated fair value at the date of acquisition. Amortization is computed over the estimated useful lives of the related intangible assets using the straight-line method.

**Long-lived Assets**

In accordance with ASC 360, "Accounting for Impairment or Disposal of Long-Lived Assets", long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If not recoverable, the Company determines the fair value of the asset group using a discounted cash flow. If the carrying amount of an asset group exceeds its estimated discounted future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The Company did not recognize any impairment charges for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021.

**Goodwill**

Goodwill represents the excess of acquisition costs over the fair value of assets and liabilities acquired, including specifically identified intangible assets. Goodwill is not amortized but is tested for impairment annually as of the last day of each fiscal year in line with guidance

prescribed by ASU 2021-03 "Accounting Alternative for Evaluating Triggering Events" and evaluated if the facts and circumstances at year end indicate if any triggering event existed.

In conducting impairment testing, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If the Company performs a qualitative assessment and determines that the carrying value more likely than not exceeds the fair value, then the quantitative impairment test is performed, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test. The ultimate outcome of the goodwill impairment assessment will be the same whether the Company chooses to perform the qualitative assessment or proceed directly to the quantitative impairment test.

The Company chose to perform a qualitative impairment test for goodwill as of December 31, 2022 and 2021. The Company determined that the recorded value for goodwill was not impaired.

**Member's Equity**
The Company has one class of units. All items of income and loss are allocated to the Company and its subsidiaries as discussed in Note 1 and Note 3 above.

**Income Taxes**
Under the Internal Revenue Code, a limited liability company may be treated as a partnership for federal income tax purposes. As a direct result of the Securitization Transaction, the Securitization Entities are each a limited liability company that is disregarded as an entity separate from Parent for federal and state income tax purposes, and are not jointly and severally liable for any income taxes owned by the parent corporate entities. Further, no tax sharing agreement exists, or is expected to exist, between the Securitization Entities and Parent that would require the Securitization Entities to directly or indirectly reimburse Parent for taxes related to the operations of the Securitization Entities. Therefore, taxable income or loss is includable in the income tax returns of its members. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements.

**Stock-based Compensation**
Upon the formation of the Parent in 2018, the Partnership established the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the "2018 Plan"), which governs certain stock-based and other incentive compensation with the employees. The Plan provides employees an opportunity to indirectly participate in the distribution of the future profits of the Company.

The awards issued under the 2018 Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by the Monte-Carlo simulation valuation model. Compensation expense is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock-based compensation expense on the consolidated statements of operations. The Company made a policy election to recognize forfeitures as they occur.

Parent also provided certain Company executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity. The promissory notes only have recourse against the employee's Class A-2 units, as such they are considered to be a stock option in accordance with GAAP. In addition, the notes have an interest rate that is based on a third party indexed rate, and therefore the stock option is classified as a liability award by the Partnership. Liability classified awards are measured at each reporting date using the intrinsic value model with the related compensation expense recognized in stock-based compensation expense in the consolidated statements of operations. Until the stock option is deemed to have been exercised through the repayment of the notes, any distributions on these shares will be deemed compensation expense.

The Company is not the legal obligor of the Class A-2 Unit awards. Therefore, the obligation (liability classified award) remains with the Partnership and any stock-based compensation charges incurred are recognized as additional paid-in capital through a noncash contribution with an offsetting charge to stock-based compensation expense.

In connection with the HELOC Transaction in November 2022, the Buyer established the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"), which governs the Class B stock-based incentive compensation granted to certain employees. All remaining units available for issuance under the 2018 Plan were settled upon adoption of the 2022 Plan.

The 2022 Plan provides participants with an opportunity to indirectly participate in the distribution of the future profits of the Company. The awards issued under the 2022 Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by an options pricing model. Compensation expense is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock-based compensation expense on the consolidated statements of operations. The Company made a policy election to recognize forfeitures as they occur.

The Company recognized stock-based compensation expense related to the settlement of the awards issued under the 2018 Plan and the Class A-2 Unit awards in connection with the HELOC Transaction. Refer to Note 11 for further details.

**Advertising Costs**
The Company administers the NAF funded by the franchisees for which the associated revenue is recognized in franchise service fees on the consolidated statements of operations. The NAF pays for costs of preparing and producing various advertising and marketing materials for the franchisees.

The NAF advertising expenses are recognized as incurred and are included in franchise support expenses on the consolidated statements of operations. NAF expenses for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021 were $14,972 and $8,613, respectively.

Non-NAF advertising expenses are recognized as incurred and included in both franchise sales expense and franchise support expenses on the consolidated statements of operations. For the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, $1,916 and $2,079, respectively, were expensed in the consolidated statements of operations.

**Fair Value Measurements**
The Company applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, accounts receivable, inventory, prepaid expenses, accounts payable, accrued liabilities and deferred franchise fees approximate fair value because of the short maturity of the instruments.

**Recently Issued Accounting Pronouncements**
*Leases*
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which supersedes the current lease guidance under Accounting Standards Codification (ASC) 840. Topic 842 increases transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheets and disclosure of key information about leasing arrangements for both lessees and lessors.

The Company adopted Topic 842 on January 1, 2022, using the modified retrospective transition approach, and as a result did not recast prior periods. Prior year amounts are presented under ASC 840. The Company applied the package of practical expedients permitted under the transition guidance which allows for the carry forward of historical lease identification, lease classification and initial direct costs for existing leases on the adoption date and does not require the assessment of existing lease contracts to determine whether the contracts contain a lease or initial direct costs. The adoption of ASC 842 did not have a significant impact on the Company's consolidated financial statements.

*Credit Losses*
In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (“ASC 326”): Measurement of Credit Losses on Financial Instruments, which requires the application of a current expected credit loss (“CECL”) impairment model to financial assets measured at amortized cost (including trade accounts receivable), net investments in leases, and certain off-balance-sheet credit exposures. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. Furthermore, the CECL model requires financial assets with similar risk characteristics to be analyzed on a collective basis. ASC 326 is effective for the Company on January 1, 2023. The Company is in the process of assessing the impact that ASU No. 2016-13 will have on the Company’s consolidated financial position, results of operations, cash flows, and disclosures.

*Reference Rate Reform*
In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)." This ASU provides optional means and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of the reference rate reform. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2024. As the Company enters into new contracts, the Company is implementing the ASU.

## 4. Inventory, net

Inventory consisted of the following as of December 31, 2022 and 2021:

| | 2022 | | |
|---|---|---|---|
| | Gross | Reserve | Net |
| Products for sale | $ 3,205 | $ (416) | $ 2,789 |
| **Total inventory** | **$ 3,205** | **$ (416)** | **$ 2,789** |

| | 2021 | | |
|---|---|---|---|
| | Gross | Reserve | Net |
| Products for sale | $ 3,254 | $ (457) | $ 2,797 |
| **Total inventory** | **$ 3,254** | **$ (457)** | **$ 2,797** |

## 5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Notes receivable | $ 1,084 | $ 1,198 |
| Prepaid expenses | 3,981 | 1,792 |
| Other current assets | 461 | 550 |
| **Total prepaid expenses and other current assets** | **$ 5,526** | **$ 3,540** |

## 6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2022 and 2021:

| | Estimated Useful Life | 2022 | 2021 |
|---|---|---|---|
| Buildings and leasehold improvements | 5 - 30 years | $ 1,895 | $ 1,895 |
| Software- for internal use | 1 - 3 years | 4,211 | 3,853 |
| Software- to be sold | 3 - 5 years | 30,214 | 8,472 |
| Vehicles | 2 - 5 years | 473 | 473 |
| Office equipment and furniture | 2 - 5 years | 995 | 992 |
| Machinery, equipment and tools | 2 - 7 years | 258 | 38 |
| Land | | 143 | 143 |
| Software in development | | 6,791 | 17,498 |
| **Total property and equipment** | | **44,980** | **33,364** |
| Less: Accumulated depreciation and amortization | | (12,941) | (5,115) |
| **Property and equipment, net** | | **$ 32,039** | **$ 28,249** |

As of December 31, 2022 and 2021, software in development consisted of software for internal use of $2,680 and $710, respectively, and to be sold of $4,111 and $16,788, respectively.

Depreciation and amortization expense recognized in the consolidated statements of operations was $8,207 and $2,340 for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, of which $6,401 and $1,154 for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021 related to software to be sold and was included in franchise support expenses in the consolidated statements of operations.

## 7. Other Long-Term Assets

Other long-term assets consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Cost to obtain contracts - commissions | $ 7,551 | $ 5,745 |
| Contract assets | - | 406 |
| Prepaid customer incentive payments | 957 | 1,449 |
| Notes receivable | 630 | 470 |
| Other | 409 | 691 |
| **Total other long-term assets** | **$ 9,547** | **$ 8,761** |

## 8. Intangible Assets and Goodwill

***Intangible Assets, Net***

Intangible assets consisted of the following as of December 31, 2022 and 2021:

| | As of December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | **Estimated Useful Life** | **Gross Amount** | **Accumulated Amortization** | **Net Amount** | **Weighted Average Remaining Useful Life** |
| Trademarks | 15-25 years | $ 169,610 | $ 21,566 | $ 148,044 | 21.9 |
| Franchise relationships | 15 years | 347,807 | 85,974 | 261,833 | 10.8 |
| Software | 10 years | 7,500 | 2,750 | 4,750 | 6.3 |
| Proprietary processes | 10 years | 2,449 | 888 | 1,561 | 6.5 |
| Noncompetition agreements | 5 years | 641 | 335 | 306 | 2.7 |
| **Intangible assets, net** | | **$ 528,007** | **$ 111,513** | **$ 416,494** | |

| | As of December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | **Estimated Useful Life** | **Gross Amount** | **Accumulated Amortization** | **Net Amount** | **Weighted Average Remaining Useful Life** |
| Trademarks | 15-25 years | $ 147,156 | $ 15,585 | $ 131,571 | 22.4 |
| Franchise relationships | 15 years | 328,618 | 64,002 | 264,616 | 12.2 |
| Software | 10 years | 7,500 | 2,000 | 5,500 | 7.3 |
| Proprietary processes | 10 years | 2,449 | 643 | 1,806 | 7.5 |
| Noncompetition agreements | 5 years | 641 | 207 | 434 | 3.7 |
| **Intangible assets, net** | | **$ 486,364** | **$ 82,437** | **$ 403,927** | |

Amortization expense was $29,076 and $18,120, for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, respectively.

Estimated amortization expense for the subsequent five years and thereafter is as follows:

| | |
|---|---|
| 2023 | $ 31,121 |
| 2024 | 31,094 |
| 2025 | 31,071 |
| 2026 | 30,997 |
| 2027 | 30,994 |
| Thereafter | 261,217 |
| | **$ 416,494** |

***Goodwill***

Changes in the net carrying amount of goodwill for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021 was as follows:

| | |
|---|---|
| **Balance at May 14, 2021** | $ 249,072 |
| Parent business combination adjustments | (201) |
| **Balance at December 31, 2021** | **248,871** |
| Contribution of assets and liabilities | 42,913 |
| **Balance at December 31, 2022** | **$ 291,784** |

During the periods presented, the Company did not record any goodwill impairment charges.

## 9. Accrued and Other Liabilities

Accrued and other liabilities consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Employee expenses | $ 476 | $ 316 |
| Rebates | 1,405 | 2,213 |
| Advertising | 6,234 | 7,326 |
| Capital expenditures | 860 | 1,049 |
| Other | 1,219 | 2,787 |
| **Total accrued and other liabilities** | **$ 10,194** | **$ 13,691** |

## 10. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Deferred revenue | $ 28,439 | $ 17,375 |
| Other | 336 | 330 |
| **Total other long-term liabilities** | **$ 28,775** | **$ 17,705** |

## 11. Stock-based Compensation

### Class B Profit Interest Units

***2018 Equity Plan***

Upon the formation of the Parent in 2018, the Parent established an equity incentive plan (the “2018 Plan"). The Plan provided participants with an opportunity to participate in the distribution of the future profits of the Parent. The awards issued under the Plan are also referred to as Class B Profit Interest Units. One third of Class B Profit Interest Units vest over time and are conditioned upon the achievement of a set return on invested capital. Remaining awards vest as the Parent achieves multiples of the invested capital and are conditioned upon occurrence of a change in control, Initial Public Offering (“IPO”) or a qualified leverage recapitalization (“change in control events”).

In connection with the HELOC Transaction, all of the Class B awards issued under the 2018 Plan vested and were settled pursuant to the change in control provisions provided for in the award agreement. The Company recognized $1,149 and $4,030 in stock-based compensation expense for the settlement of the time vesting and performance vesting awards, respectively, of which $3,244 was allocated by specific allocation (unit holder) and $1,935 was allocated based on revenue for the year ended December 31, 2022. Compensation expense related to the time vesting Class B interest units of $584 was recognized in stock-based compensation expense on the consolidated statements of operations, of which $275 was allocated by specific identification (unit holder) and $309 was allocated based on revenue for the period from May 14, 2021 to December 31, 2021.

Prior to closing of the HELOC Transaction, the Parent modified the terms of the Class B Profit Interests previously granted to five management team members to allow for continued vesting post-separation. As a result of these modifications, the Company recognized stock-based compensation expense of approximately $1,215 for the year ended December 31, 2022 based on the modification date fair value which is reflected in amounts disclosed above.

***2022 Equity Plan***

In November of 2022, in connection with the HELOC Transaction, the Parent entered into the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan").

The awards issued under the 2022 Plan are also referred to as Class B Profit Interest Units. For the 2022 Plan, 26.67% of Class B Profit Interest Units vest over time and are conditioned upon the participant's continued employment and the achievement of a set return on invested capital. Remaining awards vest as the Company achieves multiples of the invested capital and are conditioned upon occurrence of a change in control or a qualified leverage recapitalization (“change in control events”).

For the Class B Profit Interest Units granted under the 2022 Plan, for the year ended December 31, 2022, the Company determined that it is not probable that any of the change in control events will occur and, as such, compensation expenses related to the portion of the awards conditioned upon occurrence of these events has not been recognized in the consolidated financial statements as of and for the year ended December 31, 2022.

The awards that have a time-vesting component are earned in equal tranches upon each of the anniversaries over the period of five years which was determined to be the requisite service period. These awards will not vest until the return on invested capital condition is met or upon occurrence of the change in control events even as the time-vesting condition is met. As of December 31, 2022, no units were vested.

The table below summarizes transactions for unit holders of the Company:

| | Time-Vesting Units | | |
|---|---|---|---|
| | Weighted Average Fair Value | Class B Profit Interest Units | Weighted Average Remaining Contractual Term |
| **Units outstanding as of May 14, 2021** | **$ 0.31** | **4,317,274** | **2.2 years** |
| Granted | 0.49 | 716,970 | |
| Forfeitures | - | - | |
| **Units outstanding as of December 31, 2021** | **$ 0.34** | **5,034,244** | **2.5 years** |
| Granted | - | - | |
| Forfeitures | - | - | |
| Vested due to change of control | 0.34 | (5,034,244) | |
| **Units outstanding as of November 30, 2022** | **$ -** | **-** | **N/A** |
| Granted under 2022 Plan | 0.30 | 17,539,639 | |
| Forfeitures | - | - | |
| Vested | - | - | |
| **Units outstanding as of December 31, 2022** | **$ 0.30** | **17,539,639** | **4.92 years** |

| | Performance-Vesting Units | | |
|---|---|---|---|
| | Weighted Average Fair Value | Class B Profit Interest Units | Weighted Average Remaining Contractual Term |
| **Units outstanding as of May 14, 2021** | **$ 0.17** | **8,634,547** | **2.2 years** |
| Granted | 0.26 | 1,433,940 | |
| Forfeitures | - | - | |
| **Units outstanding as of December 31, 2021** | **$ 0.18** | **10,068,487** | **2.5 years** |
| Granted | - | - | |
| Forfeitures | - | - | |
| Vested due to Plan modification | 0.18 | (10,068,487) | |
| **Units outstanding as of November 30, 2022** | **$ -** | **-** | **N/A** |
| Granted under 2022 Plan | 0.22 | 48,225,786 | |
| Forfeitures | - | - | |
| Vested | - | - | |
| **Units outstanding as of December 31, 2022** | **$ 0.22** | **48,225,786** | **4.92 years** |

The fair value of each option award is estimated on the date of the grant using the Black-Scholes options pricing model with the following assumptions for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Dividend Yield | 0% | 0% |
| Risk-free interest rate | 3.8% | 1.6% |
| Expected life of options | 5 years | 5 years |
| Volatility | 47.5% | 37.5% |

Expected volatilities are based on the average volatilities of comparable companies over the expected term. The risk-free interest rate is based on the average of the five-year treasury rate on the grant date of the options.

For the year ended December 31, 2022, compensation expense related to time vesting Class B profit interest units of $310 was recognized in stock-based compensation expense under the 2022 Plan on the consolidated statements of operations, of which $190 was allocated by specific allocation (unit holder) and $120 was allocated based on revenue.

As of December 31, 2022 and 2021, the Company had $4,941 and $649 of unrecognized stock-based compensation expense related to unvested time vesting stock-based compensation arrangements. As of December 31, 2022 and 2021, the Company had $10,719 and $1,379 of unrecognized stock-based compensation expense related to unvested performance vesting stock-based compensation arrangements.

**Class A-2 Units Issued to Certain Executives**

The Partnership provided certain executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity, in accordance with the Contribution, Rollover and Subscription agreement. Under the terms of this agreement, the Company's executives were provided ownership interests in the Partnership in exchange for promissory notes.

These agreements are in substance, compensation arrangements and are accounted for as instruments similar to a stock option. Compensation expense is recognized at each balance sheet date with the changes in value recorded in the consolidated statements of operations with the corresponding recognition of the noncash contribution from the Partnership in additional paid in capital in the consolidated balance sheets.

The Company elected to account for these awards using the intrinsic valuation technique which represents excess value of the employees' Class A-2 units that were exchanged for promissory notes over the exercise price (which represents the face value of the promissory notes plus accrued interest). 15,600,000 of A-2 units were granted on September 21, 2018 and the intrinsic value of these awards on the grant date was equal to the value of the award. There were no additional grants of these awards during 2021 or 2022. There were no forfeitures or exercises of these award during the years ended December 31, 2022 and 2021.

All Class A-2 units were settled by the Partnership as a result of the HELOC Transaction based on the Transaction Date fair value. As a result, the Company recognized a gain of $1,080 for the year ended December 31, 2022 in stock-based compensation expense on the consolidated statements of operations. For the period from May 14, 2021 to December 31, 2021, the Company recognized a stock-based compensation expense of $5,366 in the consolidated statements of operations. As of November 30, 2022 and December 31, 2021, the amount of (gain) expense allocated to the Company by specific identification (unit holder) amounted to $(253) and $1,115 and amount of (gain) expense allocated based on revenue amounted to $(827) and $4,251, respectively.

## 12. Related Parties

The Company has related party transactions with the Parent and Guarantor, which for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021 consists of a distribution to Guarantor related to the Parent's centralized cash management arrangement of $69,644 and $25,915 and general and administrative expenses and stock-based compensation allocated to the Company by the Parent of $10,191 and $7,050 and $4,409 and $5,950, respectively (Note 3). The Company also has related party revenue with the Parent due to certain royalty and other contractual fees owed to the Company by the Parent. For the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021 the Company recognized $15,642 and $5,417, respectively, of related party revenue. As of December 31, 2022 and 2021, the Company had related party receivables of $1,213 and $520, respectively.

The Company has several agreements in place with related parties through common ownership by the Partnership, in the ordinary course of business as follows:

- Paycor, a HR and payroll solutions company, provided payroll support services to the Parent and related expenses were allocated to the Company for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021.

- Assured Partners, a national partnership of financial services firms, provided insurance and employee benefits services to the Parent and related expenses were allocated to the Company for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021.

- Thoughtworks, a software development and digital transformation company, provided software solutions to the Parent and related expenses were allocated to the Company for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021.

The Company also employs twenty-seven individuals as of December 31, 2022 and 2021 who own and operate franchises of wholly owned subsidiary businesses.

The Company recorded revenue and the corresponding accounts receivable related to these arrangements for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021.

Related party transactions consisted of the following:

| | Transaction | 2022 | 2021 |
|---|---|---|---|
| **Related parties through common ownership** | | | |
| Paycor | Expenses paid | $ 117 | $ 64 |
| Assured partners | Expenses paid | 50 | 36 |
| Thoughtworks | Expenses paid | 1,694 | 5,088 |
| **Transactions with employees** | | | |
| Revenue | | $ 4,973 | $ 2,134 |
| Accounts receivable | | 529 | 103 |

## 13. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in ASC Topic 450, Contingencies. Accordingly, no liabilities have been recorded for such matters as of December 31, 2022 and 2021. Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

## 14. Employee Benefit Plans

The Company sponsors a 401 (k) plan covering the majority of its employees meeting certain eligibility requirements. During the year ended December 31, 2022, the Plan provides for matching contributions of 50% of employee contributions, up to 10% of the participating employee's contributions. During the period from May 14, 2021 to December 31, 2021, the Plan provided for matching contributions of 100% of employee contributions, up to 4% of the participating employee's contributions. The Company's contributions to the Plan totaled $896 and $469 for the year ended December 31, 2022 and for the period from May 14, 2021 to December 31, 2021, respectively.

## 15. Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition and disclosure in the consolidated financial statements through April 21, 2023, the date the consolidated financial statements were available to be issued. The Company did not identify any matters.

## GUARANTEE OF PERFORMANCE

For value received, AB Assetco LLC, a Delaware limited liability company located at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 (the "**Guarantor**"), absolutely and unconditionally guarantees to assume the duties and obligations of The Cleaning Authority Franchising SPE LLC, a Delaware limited liability company located at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued April 28, 2023, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Columbia, Maryland, on the 28th day of April, 2023.

**Guarantor: AB Assetco LLC**

By: _____

Print Name: Silpa Velaga
Title: Chief Financial Officer

# Authority Brands Inc. and Subsidiaries

**Consolidated Financial Statements**
**December 31, 2022, 2021 and 2020 and for the years then ended**

**Authority Brands Inc. and Subsidiaries**
**Index to Consolidated Financial Statements**
**December 31, 2022, 2021 and 2020 and for the years then ended**


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## Report of Independent Auditors

To the Board of Directors of Authority Brands Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Authority Brands Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022, 2021 and 2020, and the related consolidated statements of comprehensive loss, of changes in stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2022. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of

assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

April 21, 2023

**Authority Brands Inc. and Subsidiaries**
**Consolidated Balance Sheets**
**(*In thousands*)**

| | As of December 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 14,151 | $ 26,889 |
| Restricted cash | 3,216 | 2,001 |
| Accounts receivable, net | 31,519 | 24,179 |
| Inventory, net | 6,739 | 5,712 |
| Prepaid expenses and other current assets | 9,482 | 6,933 |
| Total current assets | 65,107 | 65,714 |
| Property and equipment, net | 50,459 | 40,877 |
| Operating lease right-of-use assets | 14,136 | - |
| Intangible assets, net | 463,026 | 440,261 |
| Goodwill | 429,385 | 349,439 |
| Other assets | 11,886 | 9,315 |
| Total assets | **$ 1,033,999** | **$ 905,606** |
| **Liabilities and Stockholder's Equity** | | |
| Current liabilities | | |
| Accounts payable | $ 10,968 | $ 8,005 |
| Accrued and other liabilities | 28,405 | 29,950 |
| Deferred revenue | 13,586 | 10,406 |
| Operating lease liabilities, current portion | 3,870 | - |
| Current maturities on long-term debt | 4,500 | 4,250 |
| Total current liabilities | 61,329 | 52,611 |
| Operating lease liabilities, non-current portion | 10,979 | - |
| Long-term debt, net | 513,058 | 414,273 |
| Deferred tax liability, net | 28,603 | 33,570 |
| Other long-term liabilities | 35,390 | 21,591 |
| Total liabilities | **649,359** | **522,045** |
| Stockholder's equity | 384,640 | 383,561 |
| Total liabilities and stockholder's equity | **$ 1,033,999** | **$ 905,606** |

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

**Authority Brands Inc. and Subsidiaries**
**Consolidated Statements of Comprehensive Loss**
**(*In thousands*)**

| | Years Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Revenues** | | |
| Franchise service fees | $ 152,837 | $ 129,084 |
| Franchise sales fees | 5,222 | 4,339 |
| Residential services | 186,266 | 133,347 |
| Other revenues | 31,031 | 23,967 |
| Total revenues | 375,356 | 290,737 |
| **Costs and expenses** | | |
| Franchise support expenses | 101,662 | 71,316 |
| Franchise sales expenses | 2,355 | 4,259 |
| Residential service expenses | 148,881 | 112,523 |
| General and administrative expenses | 51,338 | 42,155 |
| Stock-based compensation expenses | 21,820 | 26,803 |
| Management fees and expenses | 345 | - |
| Transaction costs | 25,103 | 2,183 |
| Depreciation and amortization | 44,370 | 35,628 |
| Total costs and expenses | 395,874 | 294,867 |
| Operating loss | (20,518) | (4,130) |
| Loss on extinguishment of debt | - | (9,715) |
| Interest expense, net | (18,902) | (22,696) |
| Loss before income taxes | (39,420) | (36,541) |
| Income tax benefit | 3,790 | 2,402 |
| **Net loss** | **$ (35,630)** | **$ (34,139)** |
| **Other comprehensive loss** | | |
| Change in foreign currency translation adjustment | - | (12) |
| Other comprehensive loss | - | (12) |
| **Comprehensive loss** | **$ (35,630)** | **$ (34,151)** |

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

**Authority Brands Inc. and Subsidiaries**
**Consolidated Statements of Changes in Stockholder's Equity**
**Years Ended December 31, 2022 and 2021**
**(*In thousands*)**

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Stockholder's Equity |
|---|---|---|---|---|---|---|
| | Units | Amount | | | | |
| **Balances at December 31, 2020** | **1** | **-** | **$ 437,418** | **$ (48,381)** | **$ (3)** | **$ 389,034** |
| Capital contributions | - | - | 1,875 | - | - | 1,875 |
| Stock-based compensation | - | - | 26,803 | - | - | 26,803 |
| Other comprehensive loss | - | - | - | - | (12) | (12) |
| Net loss | - | - | - | (34,139) | - | (34,139) |
| **Balances at December 31, 2021** | **1** | **-** | **466,096** | **(82,520)** | **(15)** | **383,561** |
| Capital contributions | - | - | 36,024 | - | - | 36,024 |
| Stock-based compensation | - | - | 21,820 | - | - | 21,820 |
| Distributions to parent | - | - | (21,135) | - | - | (21,135) |
| Net loss | - | - | - | (35,630) | - | (35,630) |
| **Balances at December 31, 2022** | **1** | **$ -** | **$ 502,805** | **$ (118,150)** | **$ (15)** | **$ 384,640** |

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

**Authority Brands Inc. and Subsidiaries**
**Consolidated Statements of Cash Flows**
**(*In thousands*)**

| | Years Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Cash flows from operating activities** | | |
| Net loss | $ (35,630) | $ (34,139) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 50,771 | 37,069 |
| Reduction in inventory reserve | (39) | 339 |
| Bad debt expense | 1,637 | 1,290 |
| Stock-based compensation | 21,820 | 26,803 |
| Gain on disposal of property and equipment | (305) | (288) |
| Amortization of deferred loan costs | 1,692 | 1,976 |
| Loss on extinguishment of debt | - | 9,715 |
| Deferred taxes | (4,278) | (2,984) |
| Other | - | 308 |
| Changes in assets and liabilities | | |
| Accounts receivable | (3,845) | (5,836) |
| Inventory | (843) | (836) |
| Prepaid expenses and other current assets | (2,326) | (1,431) |
| Other assets | (1,572) | (1,518) |
| Accounts payable | 1,815 | 1,819 |
| Accrued liabilities | (6,254) | 8,166 |
| Other liabilities | 138 | 59 |
| Deferred revenue | 3,365 | 4,588 |
| Operating lease right-of-use assets and operating lease liabilities, net | 145 | - |
| Net cash provided by operating activities | 26,291 | 45,100 |
| **Cash flows from investing activities** | | |
| Business acquisitions, net of cash acquired | (94,792) | (21,828) |
| Purchases of assets through asset acquisition | (1,570) | (26,414) |
| Purchases of property and equipment | (1,772) | (1,272) |
| Proceeds on disposal of property and equipment | 332 | 257 |
| Capitalized software development costs | (12,446) | (15,955) |
| Net cash used in investing activities | (110,248) | (65,212) |
| **Cash flows from financing activities** | | |
| Distributions to parent | (21,135) | - |
| Capital contributions | - | 275 |
| Principal payments on finance lease obligations | (2,775) | (2,302) |
| Borrowings from long-term debt, net of deferred financing cost | 103,869 | 445,943 |
| Repayments of long-term debt | (7,525) | (409,982) |
| Net cash provided by financing activities | 72,434 | 33,934 |
| **(Decrease)/increase in cash and cash equivalents** | (11,523) | 13,822 |
| **Cash, restricted cash and cash equivalents** | | |
| **Beginning of year** | $ 28,890 | $ 15,068 |
| **End of year** | **$ 17,367** | **$ 28,890** |

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

**Authority Brands Inc. and Subsidiaries**
**Consolidated Statements of Cash Flows, Continued**
**(*In thousands*)**

| | Years Ended December 31, | |
|---|---|---|
| | **2022** | **2021** |
| **Reconciliation of cash, restricted cash, and cash equivalents reported in the consolidated balance sheet** | | |
| Cash and cash equivalents | $ 14,151 | $ 26,889 |
| Restricted cash | 3,216 | 2,001 |
| **Total cash, restricted cash, and cash equivalents shown in the statement of cash flows** | **$ 17,367** | **$ 28,890** |
| **Supplemental disclosures of cash flow information** | | |
| Interest paid | $ 16,243 | 18,830 |
| Taxes paid, net of refunds | 1,098 | 400 |
| **Noncash investing and financing activities** | | |
| Change in indemnification asset | - | 1,060 |
| Change in uncertain tax position | - | (1,060) |
| Capital expenditures included in accrued liabilities | 906 | 1,227 |
| Finance lease assets exchanged for lease liabilities | 6,688 | 2,691 |
| Noncash business acquisition consideration | (36,024) | (1,600) |
| Capital contribution – rollover equity | 36,024 | 1,600 |

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

## 1. Organization and Description of Business

Authority Brands Inc. and Subsidiaries ("the Company" or "Authority Brands"), formally known as Villa Bidco Inc. and Subsidiaries prior to the Company's name change on May 17, 2021, is the parent company of a number of franchisors and related businesses operating in the United States and internationally. The Company is wholly owned by Villa Aggregator LP (the "Partnership") through Villa TopCo Inc.

On March 24, 2021, in contemplation of a whole business securitization which was completed on May 14, 2021 (see Note 12), fifteen wholly owned entities were established by the Company. The first three entities formed were AB SPE Guarantor LLC and Subsidiaries ("Guarantor") a direct, wholly-owned subsidiary of the Company which directly and wholly owns AB Issuer LLC ("Issuer"), a newly formed special purpose Delaware limited liability company which directly and wholly owns AB Assetco LLC and Subsidiaries ("AB Assetco"), a Delaware limited liability company.

AB Assetco wholly owns the following Special Purpose Entity ("SPE") entities:

- The Cleaning Authority Franchising SPE LLC ("The Cleaning Authority Franchisor")
- Homewatch CareGivers Franchising SPE LLC ("Homewatch Franchisor")
- Mosquito Squad Franchising SPE LLC ("Mosquito Squad Franchisor")
- ASP Franchising SPE LLC ("ASP Franchisor")
- Benjamin Franklin Franchising SPE LLC ("Benjamin Franklin Franchisor")
- Mister Sparky Franchising SPE LLC ("Mister Sparky Franchisor")
- One Hour Air Conditioning Franchising SPE LLC ("One Hour Air Conditioning Franchisor")
- Monster Franchising SPE LLC ("Monster Franchisor")
- STOP Franchising SPE LLC ("STOP Franchisor")
- DoodyCalls Franchising SPE LLC ("DoodyCalls Franchisor")
- BuyMax SPE LLC ("BuyMax SPE")
- Successware SPE LLC ("SuccessWare SPE")
- Junkluggers Franchising SPE LLC ("Junkluggers Franchising SPE") – formed in 2022

Guarantor and each of its subsidiaries other than Issuer are collectively referred to as Guarantors. Issuer and Guarantors are collectively referred to as "Securitization Entities".

The Company wholly owns the following remaining entities, collectively referred to as "Non Securitization Entities":

- The Cleaning Authority, Inc. ("The Cleaning Authority Canada")
- The Cleaning Authority LLC ("The Cleaning Authority")
- Mighty Maids LLC ("TCA of Columbia, MD")
- Homewatch CareGivers LLC ("Homewatch CareGivers")
- Homewatch Canada, Inc. ("Homewatch Canada")
- Homewatch CareGivers International, Inc. ("Homewatch International")
- Pool Water Holdings LLC and its subsidiaries ("America's Swimming Pool" or "ASP") which includes: ASP Franchising LLC, ASP Aviation LLC and Greeneland LLC
- Clockwork Inc. and its subsidiaries ("Clockwork"), which includes: Successware, Inc., Benjamin Franklin Franchising LLC, Mister Sparky Franchising LLC, One Hour Air Conditioning Franchising LLC, Clockwork IP LLC, Quality A/C Service LLC, New Millenium Academy LLC, UWIN LLC and BuyMax LLC
- Authority Brands LLC

- Mosquito Squad Franchising LLC (“Mosquito Squad”)
- Monster Topco LLC and its subsidiaries (“Monster”) which includes Monster New Franchisor LLC and Monster New Tree Service LLC
- DoodyCalls Inc. and its affiliates DoodyCalls LLC, DoodyCalls Services LLC and DoodyCalls Intellectual Property LLC (“DoodyCalls”)
- STOP Franchising, Inc. (“STOP”)
- LMS LLC, LMSNH LLC, and LMSRI Inc. (“Macchia”)
- Color World Topco LLC and its subsidiaries ("Color World") which includes: Color World New Housepainting LLC and Color World New Franchise Systems LLC
- Woofie's TopCo LLC and its subsidiaries ("Woofie") which includes: Woofie's Leesburg LLC, Woofie's Ashburn LLC, Woofie's Pet Ventures LLC and Woofie's Mobile Pet Spa LLC
- DRYmedic Restoration Novi, LLC ("DRYmedic")
- DRYmedic Restoration Services LLC ("DRYmedic Restoration")
- Junkluggers Franchising LLC ("Junkluggers Franchising")
- JL TopCo Inc. and its subsidiaries ("Junkluggers") which includes Junkluggers LLC and Lug Life LLC.

Color World, Woofie's, DRYmedic, DRYmedic Restoration, Junkluggers Franchising, and Junkluggers were acquired by the Company in 2022 (Note 3).

DoodyCalls and Macchia were acquired by the Company in 2021 (Note 3).

On November 30, 2022 (“Transaction Date”), Binford Aggregator LP, a Delaware limited partnership, (“the Buyer”), indirectly owned by affiliates of Apax Partners Fund X and British Columbia Investment Management Corporation (“BCI”), became the sole limited partner of the Company’s parent company, Villa Aggregator LP (the “Partnership” or “Seller”), indirectly owned by Apax Partners Fund IX, whereby the Buyer acquired 100% of the issued and outstanding equity interests of Villa Aggregator LP (collectively the “HELOC Transaction”). The HELOC Transaction qualified as a change of control in accordance with ASC 805. However, the Company has not elected pushdown accounting and accordingly, the acquisition is not reflected in these consolidated financial statements. The Company paid $15,402 of Buyer transaction expenses on behalf of the Partnership, which have been recognized as a distribution to parent in the consolidated statements of stockholder’s equity for the year ended December 31, 2022. The Company incurred $20,790 of seller transaction expenses, which is recognized in transaction costs in the consolidated statements of comprehensive loss for the year ended December 31, 2022. In addition, the Company distributed $5,733 to the Partnership as a source of funds for the transaction.

In connection with the HELOC Transaction, the Company entered into the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"). All awards granted and outstanding under the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the “2018 Plan”) vested as of the Transaction Date, as a result of the change in control, and were rolled over or settled in cash on the Transaction Date. As a result, the Company recognized stock-based compensation expense for the awards that vested on the Transaction Date. Refer to Note 14 Stock-Based Compensation for further information.

As of December 31, 2022 and 2021, the Company owned and operated 25 and 20 store locations, respectively. Expenses related to the management and operation of these owned businesses are included in the residential service expenses line in the consolidated statements of comprehensive loss for the years ended December 31, 2022 and 2021.

Franchised outlets as of December 31, 2022 and 2021 are summarized as follows:

| | Franchises as of December 31, 2021 | Acquired During the Period | Opened During the Period | Closed During the Period | Reacquired by Franchisor | Franchises as of December 31, 2022 |
|---|---|---|---|---|---|---|
| Ben Franklin | 256 | - | 24 | (4) | - | 276 |
| Mister Sparky | 116 | - | 23 | - | - | 139 |
| One Hour | 340 | - | 16 | (5) | - | 351 |
| Homewatch | 212 | - | 22 | (10) | - | 224 |
| Mosquito Squad | 223 | - | 5 | (13) | - | 215 |
| The Cleaning Authority | 209 | - | 10 | (3) | - | 216 |
| America's Swimming Pool | 345 | - | 37 | (21) | - | 361 |
| Monster | 244 | - | 12 | (9) | - | 247 |
| DoodyCalls | 54 | - | 22 | (3) | - | 73 |
| STOP/DRYmedic | 28 | - | 2 | (3) | - | 27 |
| Junkluggers | - | 95 | 29 | (8) | (3) | 113 |
| Color World | - | 56 | 8 | (14) | - | 50 |
| Woofie's | - | 2 | 7 | - | - | 9 |
| **Total** | **2,027** | **153** | **217** | **(93)** | **(3)** | **2,301** |

Dollar values presented in the consolidated financial statements are in thousands of US dollars, unless otherwise stated.

## 2. Summary of Significant Accounting Policies

**Financial Statement Preparation and Principles of Consolidation**
The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles and practices of the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries outlined in Note 1. All intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates**
The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The areas that require the use of management estimates include purchase price allocation, deferred income taxes, the carrying value of goodwill and stock-based compensation. Actual results could differ from those estimates.

**Revenue Recognition**
Revenue is recognized in accordance with Accounting Standards Codification ("ASC") 606 – Revenue from Contracts with Customers, using a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

The following describes principal activities from which the Company generates its revenues and the associated revenue recognition policies:

*Franchise Revenue*
Franchise revenue consists of royalty, national advertising, local advertising, software fees, call center and initial franchise fees charged to franchisees. The Company administers the national advertising fund ("NAF") which is funded by the franchisees and is used to pay for the costs of preparing and producing various advertising and marketing materials for the franchisees.

The Company's primary performance obligation under franchise agreements is granting rights to use the Company's intellectual property over the term of the franchise agreement. Brand royalty and NAF fees are primarily based on a percentage of franchisee sales and the Company recognizes revenue for these fees as they become billable when the underlying franchisee sales occur. These fees are generally billed on a monthly basis. Fixed franchise and NAF fees, which are included in certain brand franchise agreements, are recognized on a straight-line basis over the franchise agreement term. Initial franchise fees are not associated with a service distinct from the overall initial franchise right performance obligation and are therefore recognized on a straight-line basis over the franchise agreement term. The advertising funded through the NAF benefits the franchise brands overall, rather than the individual franchise owners, and therefore is not a performance obligation separate from the overall franchise right. Any underspending of NAF contributions is recorded as accrued and other liabilities on the consolidated balance sheets.

Local advertising, software and call center services provide a distinct benefit from the franchise right and are therefore separate performance

obligations. Fees associated with these services are generally billed as a monthly fixed or usage-based amount and are recognized as revenue as the services are performed either on a straight-line basis over the contract term if the fee is fixed or as invoiced if the fee is based on usage.

Franchise revenue, except for initial franchise fees, is included in the franchise services fees on the consolidated statements of comprehensive loss. Initial franchise fees are included in franchise sales fees on the consolidated statements of comprehensive loss.

*Company-Owned Store Revenue*
Revenue from company-owned stores is generally recognized when the services are performed, which typically occurs on a single day. Payment is due within a short period of time after the service has been performed. The Company also offers extended warranties and annual service plans. Revenue associated with these services is recognized on a straight-line basis over the contract term. Fees are generally billed annually in advance and are included in deferred revenue and other long-term liabilities on the consolidated balance sheets until revenue recognition occurs.

Company-owned store revenue is included in residential services on the consolidated statements of comprehensive loss.

*Product Sales Revenue*
The Company sells products to franchisee and non-franchisee customers. Revenue for product sales in which the Company has inventory risk is recognized at a point in time when control transfers to the buyer, which is generally when the product is shipped to the customer. Payment is due within a short period of time after the shipment.

The Company acts as an agent in respect of certain third-party products that are sold through the Company's online platform. The Company has no inventory risk on these products as they are drop shipped to the end customer and the third-party vendor is primarily responsible for fulfilling the order. The Company therefore recognizes revenue at an amount equal to the net fees received after payment to the third-party vendor.

The Company recognized $9,913 and $9,320 of revenue from product sales for the years ended December 31, 2022 and 2021, respectively, in other revenues on the consolidated statements of comprehensive loss.

Obligations arising for returns, refunds, and other assurance warranties are infrequent and are not significant to the consolidated financial statements for the years ended December 31, 2022 and 2021.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

*Rebates*
Rebates received from third-party vendors in return for the Company maintaining a buying program that connects the vendors with the Company's franchisee customers are recognized as revenue as they become due, which is generally on a monthly basis. Rebates are calculated as a percentage of third-party sales. The Company recognized $18,134 and $12,558 of rebates in other revenue on the consolidated statements of comprehensive loss for the year ended December 31, 2022 and 2021, respectively.

*Software Service Revenue*
Software service revenue consists of the Company's software and mobile product services that are provided on a continuous basis for the contractual period. Where the Company has determined that the customer obtains a right to access software services, the Company recognizes revenue on a straight-line basis over the contractual term beginning when the customer has access to the service. Software service revenue is typically billed on a monthly basis. The Company's performance obligation is satisfied evenly over time. The Company recognized $7,084 and $6,752 of software service revenue for the years ended December 31, 2022 and 2021, respectively, in franchise service fees on the consolidated statements of comprehensive loss.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

*Contract Balances*
Contract assets, which relate to fixed franchise and NAF fees for certain franchise agreements, are amounts for which revenue has been recognized but the Company's right to consideration is conditional upon performing further service. Current contract assets are included in prepaid expenses and other current assets. The long-term contract asset balance is included in other assets on the consolidated balance sheets.

Contract liabilities are amounts collected, or an unconditional right to consideration (receivable) in advance of delivery of goods or services. Contract liabilities are typically related to billed amounts for obligations that have not yet been satisfied and therefore may not be recognized until conditions of the contract are met. Contract liabilities consist of initial franchise fees and service plans. Initial franchise fees are collected near the execution date of the franchise agreement and recognized on a straight-line basis over the franchise agreement term. Fees for services plans are collected upfront and recognized over the life of the plan, which is generally one year. The current portion of contract liabilities is included in deferred revenue on the consolidated balance sheets. Long-term contract liabilities are included in other long-term liabilities on the consolidated balance sheets.

The following table presents closing balances of contract assets and liabilities as of December 31, 2022 and 2021:

| | Balance at December 31, | | Location on the Consolidated Balance Sheets |
|---|---|---|---|
| | 2022 | 2021 | |
| Contract assets - short-term | $ 406 | $ - | Prepaid expenses and other current assets |
| Contract assets - long-term | - | 406 | Other assets |
| Contract liabilities - short-term | 13,586 | 9,382 | Deferred revenue |
| Contract liabilities - long-term | 28,439 | 17,375 | Other long-term liabilities |

The Company recognized revenue of $3,681 and $2,749 for amortization of initial franchise fees for the years ended December 31, 2022 and 2021 in franchise sales fees on the consolidated statements of comprehensive loss. The Company recognized revenue of $8,101 and $6,584 for amortization of service plans for the years ended December 31, 2022 and 2021 in residential services on the consolidated statements of comprehensive loss.

*Costs Incurred to Obtain a Contract with Customers*
The Company capitalizes commissions paid to brokers that are a direct result of obtaining a new franchise agreement and amortizes these costs over the franchise agreement period. These costs are capitalized in prepaid expenses and other current assets and other assets on the consolidated balance sheets. The Company recognized $689 and $479 of commission costs in franchise sales expenses on the consolidated statements of comprehensive loss for the years ended December 31, 2022 and 2021.

**Accounts Receivable and Allowance for Doubtful Accounts**
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Uncollectible accounts are written off against the allowance when collection of the amounts appears doubtful. As of December 31, 2022 and 2021, the allowance for doubtful accounts was $3,170 and $1,866, respectively. During the years ended December 31, 2022 and 2021, the Company recognized bad debt expense of $1,637 and $1,290 and had write-offs of uncollectible accounts of $403 and $77, respectively.

**Cash and Cash Equivalents**
The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents. Cash consists primarily of cash on hand and cash on deposit. The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

In accordance with Accounting Standards Update (“ASU”) 2016-15 Statement of Cash Flows (Topic 230), cash payments made not soon after (defined as more than three months) the acquisition date of a business combination to settle any contingent consideration liabilities, the payments are separated and classified as cash outflows from financing activities and operating activities. Cash payments up to the amount of the contingent consideration liability recognized at the acquisition date (including measurement-period adjustments) are classified as financing activities; any excess is classified as operating activities. The Company did not pay any contingent consideration during the years ended December 31, 2022 and 2021.

**Restricted Cash**
As of December 31, 2022 and 2021, the Company held $3,216 and $2,001, respectively, in restricted cash under the requirements of certain corporate insurance plans and as collateral in connection with the borrowing facilities.

**Inventory**
Inventory consists of products, materials and equipment to be sold and is stated at the lower of cost or net realizable value, with cost determined using weighted-average, on a first-in, first-out method. Inventory is assessed on an annual basis for slow moving and obsolete items. As of December 31, 2022 and 2021, the Company had an inventory reserve of $513 and $552, respectively.

**Property and Equipment**
Property and equipment is stated at historical cost and depreciated using the straight-line method over the estimated useful life of the assets. Additions and betterments are capitalized, maintenance and repairs which do not extend the useful life of the assets are expensed as incurred in general and administrative expenses on the consolidated statements of comprehensive loss.

**Capitalized Software, Net**
The Company capitalizes certain costs incurred in the development of various internally used software platforms, in accordance with ASC 350-40, “Internal-Use Software”, which requires certain costs incurred during the application development stage be capitalized and other costs incurred during the preliminary project and post-implementation stages be expensed as they are incurred. The Company also develops software platforms and mobile applications to be sold and capitalizes costs in accordance with ASC 985-20, “Software – Cost of Software to be Sold, Leased or Marketed”, which requires development costs incurred in the research and development of new software products be expensed as incurred until technological feasibility, in the form of a working model, has been established, at which time such costs are capitalized until the

product is available for general release to customers.

The Company capitalizes software development costs when the preliminary project stage is completed and the technological feasibility is established. Capitalized costs include personnel and related expenses for employees and third-party contractors who are directly associated with and who devote time to software projects. Any costs incurred to significantly upgrade or enhance the Company's software platform are also capitalized. Costs related to the preliminary project activities and post-implementation support activities are expensed as incurred. Amortization of capitalized software costs accounted for in accordance with ASC 350-40 and ASC 985-20 are recognized in depreciation and amortization and franchise support expenses, respectively, on the consolidated financial statements using a straight-line method over an estimated useful life of three to five years for mobile applications and software platforms, respectively.

**Leases**
A lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset(s) for a period of time in exchange for consideration. Contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Company has the right to substantially all of the economic benefits of the assets and the ability to direct how and for what purpose the assets are used during the lease term. Leases are classified as either operating or financing.

Finance and operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the future minimum lease payments over the lease term. The lease term represents the non-cancelable period of the lease, including any lessee options to renew, extend, or terminate which are considered to be reasonably certain of exercise. Some of the Company's leases include one or more options to renew and extend the lease term. The exercise of lease renewal options is at the Company's sole discretion and generally, a renewal option is not deemed to be reasonably certain to be exercised until such option is legally executed.

For operating leases, the Company utilizes the private company practical expedient for discount rates and uses a risk-free rate when the discount rate is not readily determinable in the lease. The Company recognizes lease expense for fixed lease payments on operating leases on a straight-line basis over the lease term, while variable lease payments are recognized as incurred.

Assets held under finance leases are included in property and equipment on the consolidated balance sheets and are amortized over the lesser of the term of the related lease or the estimated useful life of the asset. For financing leases, the implied rate is utilized based on the monthly interest disclosed by vendors on monthly invoicing.

The Company applies the short term lease exemption and does not recognize ROU assets and lease liabilities for leases with a lease term of 12 months or less for all asset classes. The Company has elected to not separate lease and non-lease components (such as common area maintenance) when amounts are fixed, determinable and combined within monthly lease payments.

The Company evaluates whether events and circumstances have occurred that indicate right-of-use assets have been impaired. Measurement of any impairment of such assets is based on their fair values. Once a ROU asset for a lease is impaired, the carrying amount of the right-of-use asset is reduced through expense and the remaining balance is subsequently amortized on a straight-line basis.

**Intangible Assets**
Intangible assets consist of trademarks, franchise and referral relationships, customer relationships, software, proprietary processes, and noncompetition agreements. Intangible assets are stated at their estimated fair value at the date of acquisition. Amortization is computed over the estimated useful lives of the related intangible assets using the straight-line method.

**Long-lived Assets**
In accordance with ASC 360, "Accounting for Impairment or Disposal of Long-Lived Assets", long- lived assets, such as property and equipment and intangible assets, are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If not recoverable, the Company determines the fair value of the asset group using a discounted cash flow. If the carrying amount of an asset group exceeds its estimated discounted future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The Company did not recognize any impairment charges for the years ended December 31, 2022 and 2021.

**Goodwill**
Goodwill represents the excess of acquisition costs over the fair value of assets and liabilities acquired, including specifically identified intangible assets. Goodwill is not amortized but is tested for impairment annually as of the last day of each fiscal year in line with guidance prescribed by ASU 2021-03 "Accounting Alternative for Evaluating Triggering Events" and evaluated if the facts and circumstances at year end indicate if any triggering event existed.

In conducting impairment testing, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying

amount. If the Company performs a qualitative assessment and determines that the carrying value more likely than not exceeds the fair value, then the quantitative impairment test is performed, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test. The ultimate outcome of the goodwill impairment assessment will be the same whether the Company chooses to perform the qualitative assessment or proceed directly to the quantitative impairment test.

The Company chose to perform a qualitative impairment test for goodwill as of December 31, 2022 and 2021. The Company determined that the recorded value for goodwill was not impaired.

**Deferred Loan Costs**
In accordance with ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), the Company capitalizes and defers certain loan costs, which are presented on the consolidated balance sheets as a reduction of long-term debt or within other assets, when they relate to undrawn amounts from the Company's Class A-1 Notes and delayed draw facility. These costs are amortized over the term of the debt using the straight-line method, which approximates the effective interest method.

**Stock-Based Compensation**
Upon the formation of the Company in 2018, the Partnership established the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the " 2018 Plan"), which governs certain stock-based and other incentive compensation with the employees. The Plan provides employees an opportunity to indirectly participate in the distribution of the future profits of the Company.

The awards issued under the 2018 Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by the Monte-Carlo simulation valuation model. Compensation expense is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock-based compensation expense on the consolidated statements of comprehensive loss. The Company made a policy election to recognize forfeitures as they occur.

The Company also provided certain executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity. The promissory notes only have recourse against the employee's Class A-2 units, as such they are considered to be a stock option in accordance with GAAP. In addition, the notes have an interest rate that is based on a third party indexed rate, and therefore the stock option is classified as a liability award by the Partnership. Liability classified awards are measured at each reporting date using the intrinsic value model with the related compensation expense recognized in stock-based compensation expense in the consolidated statements of comprehensive loss. Until the stock option is deemed to have been exercised through the repayment of the notes, any distributions on these shares will be deemed compensation expense.

The Company is not the legal obligor of the Class A-2 Unit awards. Therefore, the obligation (liability classified award) remains with the Partnership and any stock-based compensation charges incurred are recognized as additional paid-in capital through a noncash contribution with an offsetting charge to stock-based compensation expense.

In connection with the HELOC Transaction in November 2022, the Company established the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"), which governs the Class B stock-based incentive compensation granted to certain employees. All remaining units available for issuance under the 2018 Plan were settled upon adoption of the 2022 Plan.

The 2022 Plan provides participants with an opportunity to indirectly participate in the distribution of the future profits of the Company. The awards issued under the Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by an options pricing model. Compensation expense is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock-based compensation expense on the consolidated statements of comprehensive loss. The Company made a policy election to recognize forfeitures as they occur.

The Company recognized stock-based compensation expense related to the settlement of the awards issued under the 2018 Plan and Class A-2 Units in connection with the HELOC Transaction. Refer to Note 14 for further details.

**Taxes**
The Company is subject to federal and state income taxes. Accordingly, an income tax provision has been recognized for federal and state income taxes. The Cleaning Authority Canada and Homewatch Canada are Canadian corporations that are subject to Canadian income taxes. For 2022 and 2021, income taxes for The Cleaning Authority Canada and Homewatch Canada were insignificant.

The Company provides for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for financial reporting and for income tax reporting. The deferred tax assets or liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

For balance sheet presentation purposes, the Company nets its deferred tax asset and deferred tax liability positions by tax jurisdiction and classifies the resulting net deferred tax asset and/or net deferred tax liability as noncurrent in accordance with ASU 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes on the consolidated balance sheets.

The Company utilizes a two-step approach for recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely to be realized upon settlement with a taxing authority. Income taxes are accounted for on an accrual basis.

**Advertising Costs**
The Company administers the NAF funded by the franchisees for which the associated revenue is recognized in franchise service fees on the consolidated statements of comprehensive loss. The NAF pays for costs of preparing and producing various advertising and marketing materials for the franchisees.

The NAF advertising expenses are recognized as incurred and are included in franchise support expenses on the consolidated statements of comprehensive loss. NAF expenses for the years ended December 31, 2022 and 2021 were $15,008 and $12,858, respectively.

Non-NAF advertising expenses are recognized as incurred and included in both franchise sales expense and residential service expenses on the consolidated statements of comprehensive loss. For the years ended December 31, 2022 and 2021, $16,970 and $15,904, respectively, were expensed in the consolidated statements of comprehensive loss.

**Foreign Currency Translation**
The assets and liabilities of foreign operations in Canada, whose functional currency is other than the U.S. dollar, are translated to U.S. dollars at the period end exchange rates and revenues and expenses are translated at average exchange rates for the period. Differences arising from this translation are included in the foreign currency translation adjustment component of accumulated other comprehensive (loss) income.

For all operations, the monetary items denominated in currencies other than the functional currency are remeasured at period-end exchange rates and transaction gains and losses are included in general and administrative expense in the consolidated statements of comprehensive loss.

Nonmonetary items are remeasured at historical rates. Impacts resulting from the foreign currency fluctuations were not significant to the consolidated financial statements as of and during the periods presented.

**Fair Value Measurements**
The Company applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, inventory, prepaid expenses, accounts payable, accrued liabilities and deferred franchise fees approximate fair value because of the short maturity of the instruments. The carrying value of long-term debt approximates fair value as the stated interest rates are at market rates.

**Recently Issued Accounting Pronouncements**
*Leases*
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which supersedes the current lease guidance under Accounting Standards Codification (ASC) 840. Topic 842 increases transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet and disclosure of key

information about leasing arrangements for both lessees and lessors.

The Company adopted Topic 842 on January 1, 2022 using the modified retrospective transition approach, and as a result did not recast prior periods. Prior year amounts are presented under ASC 840. The Company applied the package of practical expedients permitted under the transition guidance which allows for the carry forward of historical lease identification, lease classification and initial direct costs for existing leases on the adoption date and does not require the assessment of existing lease contracts to determine whether the contracts contain a lease or initial direct costs.

The adoption of this standard resulted in the recognition of operating lease ROU assets in the amount of $14,773 and lease liabilities in the amount of $15,300 for operating leases on the consolidated balance sheets for leases entered into before January 1, 2022. There was no cumulative effect adjustment to accumulated deficit as of January 1, 2022. The adoption of Topic 842 did not have a significant impact on the consolidated statements of comprehensive loss or cash flows. See Note 15 Leases.

*Credit Losses*
In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses ("ASC 326"): Measurement of Credit Losses on Financial Instruments, which requires the application of a current expected credit loss ("CECL") impairment model to financial assets measured at amortized cost (including trade accounts receivable), net investments in leases, and certain off-balance-sheet credit exposures. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. Furthermore, the CECL model requires financial assets with similar risk characteristics to be analyzed on a collective basis. ASC 326 is effective for the Company on January 1, 2023. The Company is in the process of assessing the impact that ASU No. 2016-13 will have on the Company's consolidated financial position, results of operations, cash flows, and disclosures.

*Reference Rate Reform*
In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)." This ASU provides optional means and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of the reference rate reform. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2024. As the Company enters into new contracts, the Company is implementing the ASU.

## 3. Acquisitions

### Asset Acquisitions

***Macchia***

On December 30, 2021, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of LMS, LLC, LMSRI, Inc., and LMSNH, LLC for a purchase price of $24,726. The businesses represent a group of retail operations of Mosquito Squad. The purchase price was allocated to customer relationships intangible assets in the amount of $27,766, which will be amortized on straight line basis over its useful life of 5 years, vehicles and equipment in the amount of $1,500, deferred tax liability of $5,490 and other liabilities in the amount of $1,000. The transaction was funded with cash held on the seller's balance sheet of $1,950 and cash held by the Company.

In accordance with guidance issued by the FASB for asset acquisitions, the purchase price was allocated to the assets acquired and liabilities assumed at cost. As such, no goodwill was recognized.

***Other***
During 2022 and 2021, the Company entered into several purchase and sale agreements to acquire 100% of the assets of other retail operations for an aggregate purchase price of $1,570 and $3,638, respectively. The acquisitions were funded with cash held by the Company. In accordance with guidance issued by the FASB for asset acquisitions, the purchase price was allocated to the assets acquired and liabilities assumed at cost. As such, no goodwill was recognized. The purchase price was allocated as follows:

| **Assets acquired** | **2022** | **2021** |
|---|---|---|
| Current assets | $ 145 | $ - |
| Property and equipment | 270 | 405 |
| Intangible assets and other assets | 1,243 | 3,312 |
| Assets acquired | 1,658 | 3,717 |
| **Liabilities assumed** | (88) | (79) |
| **Purchase price** | **$ 1,570** | **$ 3,638** |

The acquired intangible assets had a preliminary useful life of 4 years.

As a result of the above transactions, the Company did not incur significant transaction costs during the year ended December 31, 2022. During the year ended December 31, 2021, the Company incurred transaction costs of $445.

**Business Combinations**

***Junkluggers***

On December 14, 2022, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of Junkluggers Franchising, LLC, Junkluggers, LLC and LugLife, LLC for a purchase price of $79,202. Junkluggers is an eco-friendly junk removal franchise company that focuses on utilizing sustainable practices to divert waste from landfills. Junkluggers was acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was primarily funded with rollover equity of $16,000 and cash held by the Company. Goodwill largely consists of strategic and synergistic opportunities resulting from combining Junkluggers with the Company's existing businesses. The goodwill resulting from this acquisition is tax deductible.

As a result of the transaction, the Company incurred and expensed transaction costs of $2,084, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

| | | |
|---|---|---|
| **Assets acquired** | | |
| Current assets | $ | 3,139 |
| Operating lease right-of-use assets | | 1,115 |
| Property and equipment | | 716 |
| Goodwill | | 49,394 |
| Intangible assets and other assets [(1)] | | 38,055 |
| Deferred tax assets | | 458 |
| Assets acquired | | 92,877 |
| Operating lease liabilities | | (1,115) |
| Deferred revenue | | (8,089) |
| Other liabilities assumed | | (4,471) |
| **Purchase price** | **$** | **79,202** |

*(1) Identifiable intangible assets acquired include referral relationships, trademarks, franchise relationships and noncompetition agreements which will be amortized on a straight-line basis over their preliminary useful lives of 15 years, 25 years, 15 years and 1 year, respectively.*

***DRYmedic***

On November 4, 2022, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of DRYmedic Restoration Services, LLC and its subsidiaries for a purchase price of $45,556. DRYmedic provides disaster restoration services with a focus on water damage restoration, fire damage repair and mold removal and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with rollover equity of $18,984 and borrowings from the Company's 2022 A-1 loan. Goodwill largely consists of strategic and synergistic opportunities resulting from combining DRYmedic with the Company's existing businesses. The goodwill resulting from this acquisition is tax deductible.

As a result of the transaction, the Company incurred and expensed transaction costs of $1,077, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

| | | |
|---|---|---|
| **Assets acquired** | | |
| Current assets | $ | 5,038 |
| Operating lease right-of-use assets | | 175 |
| Property and equipment | | 276 |
| Goodwill | | 25,963 |
| Intangible assets and other assets [(1)] | | 17,113 |
| Deferred tax assets | | 231 |
| Assets acquired | | 48,796 |
| Deferred revenue | | (2,210) |
| Operating lease liabilities | | (175) |
| Other liabilities assumed | | (855) |
| **Purchase price** | **$** | **45,556** |

*(1) Identifiable intangible assets acquired include referral relationships, trademarks and noncompetition agreements which will be amortized on a straight-line basis over their preliminary useful lives of 15 years, 25 years and 3 years, respectively.*

***Woofie's***

On January 21, 2022, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of Woofie's, LLC and its subsidiaries Woofie's Mobile Pet Spa, LLC and Woofie's Pet Venture, LLC for a purchase price of $5,043. Woofie's is a professional pet care franchise company that provides pet sitting, training, walking as well as mobile pet spa services and was acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with rollover equity of $1,040 and cash held by the Company. Goodwill largely consists of strategic and synergistic opportunities resulting from combining Woofie's with the Company's existing businesses. No goodwill related to this acquisition is expected to be deductible for income tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of $248, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date. The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

| | | |
|---|---|---|
| **Assets acquired** | | |
| Current assets | $ | 514 |
| Operating lease right-of-use assets | | 989 |
| Property and equipment | | 328 |
| Goodwill | | 1,942 |
| Intangible assets and other assets [(1)] | | 2,423 |
| Assets acquired | | 6,196 |
| Operating lease liabilities | | (989) |
| Other liabilities assumed | | (164) |
| **Purchase price** | **$** | **5,043** |

*(1) Identifiable intangible assets acquired include customer relationships, trademarks and franchise relationships which will be amortized on a straight-line basis over their preliminary useful lives of 4 years, 25 years and 15 years, respectively.*

***Color World***

On January 10, 2022, the Company entered into a purchase and sale agreement to acquire 100% of the assets of Color World Franchise Systems, LLC, and Color World Housepainting Inc. for a purchase price of $4,386. Color World is a paint service franchising company that has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with cash held by the Company. Goodwill largely consists of strategic and synergistic opportunities resulting from combining Color World with the Company's existing businesses. No goodwill related to this acquisition is expected to be deductible for income tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of $197, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

| | | |
|---|---|---|
| **Assets acquired** | | |
| Current assets | $ | 33 |
| Operating lease right-of-use assets | | 263 |
| Property and equipment | | 33 |
| Goodwill | | 2,647 |
| Intangible assets and other assets [(1)] | | 2,154 |
| Assets acquired | | 5,130 |
| Operating lease liabilities | | (263) |
| Other liabilities assumed | | (481) |
| **Purchase price** | **$** | **4,386** |

*(1) Identifiable intangible assets acquired include customer relationships, trademarks and franchise relationships which will be amortized on a straight-line basis over their preliminary useful lives of 4 years, 25 years and 15 years, respectively.*

***DoodyCalls***

On February 17, 2021, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of DoodyCalls, Inc. and its affiliates DoodyCalls LLC, DoodyCalls Intellectual Property LLC for a purchase price of $23,428. DoodyCalls is a franchising company that provides pet waste removal services for homeowners and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with rollover equity of $1,600 and borrowings from the Company's delayed draw credit facility. All goodwill that has been recognized in the acquisition relates to intangible assets that do not qualify for separate recognition. The goodwill resulting from this acquisition is tax deductible.

As a result of the transaction, the Company incurred and expensed transaction costs of $751, which are included in transaction costs on the consolidated statements of comprehensive loss. During the year ended December 31, 2022, there were no material changes to the purchase price allocation for the DoodyCalls Acquisition.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

| | | |
|---|---|---|
| **Assets acquired** | | |
| Current assets | $ | 1,163 |
| Property and equipment | | 462 |
| Goodwill | | 7,761 |
| Intangible assets and other assets [(1)] | | 14,321 |
| Assets acquired | | 23,707 |
| **Liabilities assumed** | | (279) |
| **Purchase price** | **$** | **23,428** |

*(1) Identifiable intangible assets acquired include customer relationships, trademarks, noncompetition agreements and franchise relationships which will be amortized on a straight-line basis over their preliminary useful lives of 4 years, 25 years, 5 years and 15 years, respectively.*

## 4. Inventory, net

Inventory consisted of the following as of December 31, 2022 and 2021**:**

| | 2022 | | |
|---|---|---|---|
| | **Gross** | **Reserve** | **Net** |
| Products for sale | $ 3,382 | $ (416) | $ 2,966 |
| Materials | 2,604 | (59) | 2,545 |
| Equipment | 1,266 | (38) | 1,228 |
| **Total inventory** | **$ 7,252** | **$ (513)** | **$ 6,739** |

| | 2021 | | |
|---|---|---|---|
| | **Gross** | **Reserve** | **Net** |
| Products for sale | $ 3,310 | $ (457) | $ 2,853 |
| Materials | 2,080 | (69) | 2,011 |
| Equipment | 874 | (26) | 848 |
| **Total inventory** | **$ 6,264** | **$ (552)** | **$ 5,712** |

## 5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Notes receivable | $ 1,081 | $ 1,196 |
| Prepaid insurance | 469 | 733 |
| Prepaid advertising | 2,598 | 914 |
| Prepaid expenses - other | 4,225 | 2,771 |
| Other current assets | 1,109 | 1,319 |
| **Total prepaid expenses and other current assets** | **$ 9,482** | **$ 6,933** |

## 6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2022 and 2021:

| | Estimated Useful Life | 2022 | 2021 |
|---|---|---|---|
| Buildings and leasehold improvements | 5 - 30 years | $ 4,667 | $ 4,473 |
| Software- for internal use | 1 - 3 years | 5,568 | 4,085 |
| Software- to be sold | 3 - 5 years | 30,214 | 8,472 |
| Vehicles | 2 - 5 years | 20,548 | 12,715 |
| Office equipment and furniture | 2 - 5 years | 3,255 | 2,493 |
| Machinery, equipment and tools | 2 - 7 years | 1,813 | 835 |
| Land | | 143 | 143 |
| Software in development | | 7,242 | 18,392 |
| **Total property and equipment** | | **73,450** | **51,608** |
| Less: Accumulated depreciation and amortization | | (22,991) | (10,731) |
| **Property and equipment, net** | | **$ 50,459** | **$ 40,877** |

As of December 31, 2022 software in development consisted of software for internal use and to be sold of $3,131 and $4,111, respectively. As of December 31, 2021, software in development consisted of software for internal use and to be sold of $1,376 and $17,016, respectively.

Depreciation and amortization expense recognized in the consolidated statements of comprehensive loss was $12,548 and $5,846, for the years ended December 31, 2022 and 2021, respectively, of which, $6,401 and $1,441 for the years ended December 31, 2022 and 2021 related to software to be sold was included in franchise support expenses in the consolidated statement of comprehensive loss.

## 7. Other Long-Term Assets

Other long-term assets consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Indemnification asset | $ - | $ 402 |
| Cost to obtain contracts - commissions | 7,974 | 5,745 |
| Contract assets | - | 406 |
| Prepaid customer incentive payments | 957 | 1,449 |
| Notes receivable | 632 | 470 |
| Deferred financing cost | 1,811 | 779 |
| Other | 512 | 64 |
| **Total other long-term assets** | **$ 11,886** | **$ 9,315** |

## 8. Intangible Assets and Goodwill

***Intangible Assets, Net***

Intangible assets consisted of the following as of December 31, 2022 and 2021:

| | As of December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | **Estimated Useful Life** | **Gross Amount** | **Accumulated Amortization** | **Net Amount** | **Weighted Average Remaining Useful Life** |
| Trademarks | 15-25 years | $ 170,832 | $ 21,611 | $ 149,221 | 21.9 |
| Franchise relationships | 15 years | 350,075 | 86,114 | 263,961 | 11.5 |
| Referral relationships | 15 years | 12,626 | 129 | 12,497 | 14.8 |
| Software | 10 years | 7,500 | 2,750 | 4,750 | 6.3 |
| Customer relationships | 4-5 years | 43,156 | 13,280 | 29,876 | 3.8 |
| Proprietary processes | 10 years | 2,449 | 888 | 1,561 | 6.5 |
| Noncompetition agreements | 1-5 years | 1,541 | 381 | 1,160 | 2.0 |
| **Intangible assets, net** | | **$ 588,179** | **$ 125,153** | **$ 463,026** | |

| | As of December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | **Estimated Useful Life** | **Gross Amount** | **Accumulated Amortization** | **Net Amount** | **Weighted Average Remaining Useful Life** |
| Trademarks | 15-25 years | $ 147,156 | $ 15,585 | $ 131,571 | 22.4 |
| Franchise relationships | 15 years | 328,618 | 64,002 | 264,616 | 12.2 |
| Software | 10 years | 7,500 | 2,000 | 5,500 | 7.3 |
| Customer relationships | 4-5 years | 40,827 | 4,493 | 36,334 | 3.2 |
| Proprietary processes | 10 years | 2,449 | 643 | 1,806 | 7.5 |
| Noncompetition agreements | 5 years | 641 | 207 | 434 | 3.7 |
| **Intangible assets, net** | | **$ 527,191** | **$ 86,930** | **$ 440,261** | |

Amortization expense was $38,223 and $31,223, for the years ended December 31, 2022 and 2021, respectively.

Estimated amortization expense for the subsequent five years and thereafter is as follows:

| | |
|---|---|
| 2023 | $ 41,143 |
| 2024 | 40,623 |
| 2025 | 39,200 |
| 2026 | 37,754 |
| 2027 | 32,574 |
| Thereafter | 271,732 |
| | **$ 463,026** |

***Goodwill***

Changes in the net carrying amount of goodwill for the years ended December 31, 2022 and 2021 are as follows:

| | |
|---|---|
| **Balance at December 31, 2020** | $ 342,008 |
| DoodyCalls | 7,761 |
| Monster adjustment | (281) |
| STOP adjustment | (49) |
| **Balance at December 31, 2021** | **349,439** |
| Color World | 2,647 |
| Woofie's | 1,942 |
| DRYmedic | 25,963 |
| Junkluggers | 49,394 |
| **Balance at December 31, 2022** | **$ 429,385** |

The adjustments to the purchase price allocation during 2021 were made to reflect consideration true-ups in accordance with the sale and purchase agreement and to reflect incremental information made available after the purchase price allocation.

During the periods presented, the Company did not record any goodwill impairment charges.

## 9. Accrued and Other Liabilities

Accrued and other liabilities consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Employee expenses | $ 8,118 | $ 9,569 |
| Rebates | 1,285 | 2,106 |
| Accrued interest | 3,355 | 2,727 |
| Advertising | 6,621 | 7,777 |
| Capital expenditures | 906 | 1,277 |
| Finance lease obligations | 2,742 | 1,796 |
| Other | 5,378 | 4,698 |
| **Total accrued and other liabilities** | **$ 28,405** | **$ 29,950** |

## 10. Taxes

Income tax benefit consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Current** | | |
| Federal | $ - | $ - |
| State | 488 | 582 |
| | 488 | 582 |
| **Deferred** | | |
| Federal | (3,441) | (2,411) |
| State | (837) | (573) |
| | (4,278) | (2,984) |
| **Income tax benefit** | **$ (3,790)** | **$ (2,402)** |

Deferred income taxes consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| **Deferred tax assets** | | |
| Net operating losses and credits | $ 19,966 | $ 18,162 |
| Deferred revenue | 8,047 | 6,017 |
| Interest limitation | 7,237 | 3,056 |
| Lease obligation liability | 2,249 | 1,257 |
| Operating lease liabilities | 3,705 | - |
| Accrued expenses | 1,319 | 1,590 |
| Allowance for doubtful accounts | 780 | 466 |
| Gross deferred tax asset | 43,303 | 30,548 |
| **Deferred tax liabilities** | | |
| Intangibles | (43,665) | (46,975) |
| Goodwill | (22,130) | (16,131) |
| Operating lease right-of-use asset | (3,527) | - |
| Property and equipment | (2,578) | (993) |
| Other | (6) | (19) |
| Gross deferred tax liability | (71,906) | (64,118) |
| **Total deferred tax liability** | **$ (28,603)** | **$ (33,570)** |

As of December 31, 2022 and 2021, the Company has net operating loss ("NOL") carryforwards for U.S. federal tax purposes of $80,083 and $72,928, respectively. The federal NOL carryforwards have no expiration. As of December 31, 2022 and 2021, the Company has NOL carryforwards of approximately $61,762 and $58,501, respectively, for state income tax purposes. The state NOL carryforwards expire at various dates through 2042. As of December 31, 2022 and 2021, the Company has cumulative interest limitation carryforwards for U.S. federal tax purposes of $29,006 and $12,248, respectively.

The Company believes that it is more likely than not that the reversal of current deferred tax liabilities and the results of future operations will be sufficient to realize the deferred tax assets and has not recorded a valuation allowance as of December 31, 2022 and 2021.

Tax year 2019 and forward are open to examination by the Internal Revenue Service and various state tax authorities.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act is a stimulus bill that includes lending facilities to large and small business, expands unemployment benefits and implements individual and business tax changes. Furthermore, as permitted by the CARES Act, the Company elected to defer certain payments of employer share of social security tax that would otherwise be required to be paid during the period beginning on March 27, 2020 and ending December 31, 2020. The CARES Act allows employers to deposit 50% of the deferred taxes on or before December 31, 2021, and the remaining 50% by December 31, 2022. As of December 31, 2022 and 2021, the Company had remaining deferred employer social security taxes of $0 and approximately $1,266, respectively. The balance is reflected in accrued and other liabilities in the consolidated balance sheet.

As of December 31, 2022 and 2021, the Company recognized a liability for an uncertain tax position related to Mosquito Squad and its S-Corp election of $0 and $402, respectively, which includes potential interest and penalties. As of December 31, 2022 and 2021, potential interest was $0 and $38, respectively, and penalties were $0 and $61, respectively. This liability has been reflected in other long-term liabilities. An offsetting indemnification asset for $0 and $402 as of December 31, 2022 and 2021, respectively, has been recognized in other assets as a result of indemnifications provided in the stock purchase agreement between the Company and the seller of Mosquito Squad.

## 11. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Deferred revenue | $ 28,439 | $ 17,375 |
| Finance lease obligation | 6,600 | 3,372 |
| Uncertain tax position liability | - | 402 |
| Other | 351 | 442 |
| **Total other long-term liabilities** | **$ 35,390** | **$ 21,591** |

## 12. Long-Term Debt

Long-term debt consisted of the following as of December 31, 2022 and 2021:

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| **Securitization** | | |
| Class A-1 2021 Notes | $ 15,500 | $ 5,400 |
| Class A-1 2022 Notes | 91,330 | - |
| Class A-2 Notes | 421,813 | 423,938 |
| Total debt | **528,643** | **429,338** |
| Less: Current portion | 4,500 | 4,250 |
| Less: Unamortized deferred loan costs | 11,085 | 10,815 |
| Long-term debt | **$ 513,058** | **$ 414,273** |

| | 2022 Original Principal | 2021 Original Principal | Rate | Maturity |
|---|---|---|---|---|
| **Terms Loans** | | | | |
| Class A-2 Notes | $ - | $ 425,000 | 3.734% | 7/30/2051 |
| | | | | |
| **Other** | | | | |
| Class A-1 2022 Notes | $ 200,000 | **$ -** | 3.25%+ [(1)] | 10/31/2052 |
| Class A-1 2021 Notes | $ - | 10,400 | 2.625% + LIBOR | 7/30/2051 |

*(1) The interest rate for purposes of the Series 2022-1 Class A-1 Notes is equal to the sum of 3.25% plus the greater of (i) the Series 2022-1 Prime Rate in effect, (ii) the Federal Funds Rate in effect on such day plus 0.50% and (iii) Term SOFR for one-month tenor plus 1.00%.*

As of December 31, 2022 and 2021, interest rates were as follows:

| | As of December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Class A-1 2021 Notes | 7.081% | 2.728% |
| Class A-1 2022 Notes | 8.893% | N/A |
| Class A-2 Notes | 3.734% | 3.734% |

Debt Issuance costs related to undrawn amounts from the Company's Class A-1 Notes and delayed draw facility were $1,811 and $779 as of December 31, 2022 and 2021, respectively, and included within other assets on the consolidated balance sheets. Other deferred financing

costs related to debt of $11,085 and $10,815 as of December 31, 2022 and 2021, respectively, are netted in long term debt on the consolidated balance sheets. Amortization of $1,692 and $1,976 is included in interest expense on the consolidated statements of comprehensive loss for the years ended December 31, 2022 and 2021, respectively.

The outstanding debt has a final legal maturity of July 2051 for Class A-2 and Class A-1 2021 Notes and October 2052 for Class A-1 2022 Notes. The Company expects to make principal payments on the Class A-2 Notes of $4,500 in the next year and has such amount in the current portion of long-term debt as of December 31, 2022.

**Securitization**
On May 14, 2021 ("Closing Date"), the Issuer completed a financing transaction (the "Securitization Transaction") resulting in the issuance of the $5,000 in maximum principal amount Advance Funding Facility (the "Advance Funding Facility" or "AFF"), $50,000 in maximum principal amount of Series 2021-1 Variable Funding Senior Notes, Class A-1 (the "VFN" or the "Class A-1 2021 Notes") and $425,000 of Series 2021-1 3.734% Fixed Rate Senior Secured Notes, Class A-2 (the "Term Notes" or "Class A-2 Notes") and, together with the Advance Funding Facility and VFN, (the "Series 2021-1 Notes"). Additionally, on November 7, 2022, the Issuer completed an additional financing transaction resulting in the issuance of $200,000 in maximum principal amount of Series 2022-1 Variable Funding Senior Notes (the "Class A-1 2022 Notes").

As part of Securitization Transaction, the Company capitalized and deferred costs of $12,663, of which $11,863 were recorded as contra-liability to debt and $800 were recorded within other assets as they relate to undrawn amounts from the Company's Class A-1 Notes as of December 31, 2021.

**Advance Funding Facility**
The Advance Funding Facility, which was undrawn as of December 31, 2022 and 2021, provides for a maximum outstanding principal amount of $5,000. Under the provisions of the AFF, any outstanding advances under the AFF bear interest at a variable rate, Prime Rate + 3%, and the Issuer is obligated to pay a commitment fee related to undrawn amounts. The Company paid a commitment fee of $150 and $130, which is recognized in interest expense in the consolidated statements of comprehensive loss for the years ended December 31, 2022 and December 31, 2021, respectively. Prime Rate means the rate of interest publicly announced from time to time by a commercial bank mutually agreed upon by the Manager and the Advance Funding Administrative Agent as its reference rate, base rate or prime rate. The AFF will terminate upon the earlier of the (i) the payment in full of all obligations relating to the Class A-2 Notes and (ii) payment in full of all interest on and principal of all AFF advances. The AFF is not a revolving facility and, accordingly, advances made and repaid are not permitted to be reborrowed.

**Class A-1 2021 Notes**
The Class A-1 2021 Notes provide for a maximum outstanding principal amount of $50,000. On the Closing Date, $10,400 was drawn in the form of advances and $5,076 in the form of letters of credit. Under the provisions of the Class A-1 2021 Notes, any outstanding LIBOR borrowings bear interest quarterly at a variable rate of 2.625% plus LIBOR, and the Issuer is obligated to pay fees of 0.50% accrued daily and paid quarterly related to undrawn amounts and any outstanding letters of credit. The anticipated repayment date for the Class A-1 2021 Notes is July 2026, subject to two one- year extensions upon the satisfaction of certain conditions. The final legal maturity date of the Class A-1 2021 Notes is July 2051. There are no principal payments due on the Class A-1 2021 Notes in the ordinary course, but the Class A-1 2021 Notes will be subject to rapid amortization if not paid in full by the anticipated repayment date. Since the Closing Date, the Company has repaid $5,400 of the advance and withdrew an additional $15,500 resulting in an outstanding balance of $15,500 as of December 31, 2022.

**Class A-1 2022 Notes**
On November 7, 2022 the Company entered into the Class A-1 2022 Notes purchase agreement. The Class A-1 2022 Notes provide for a maximum outstanding principal amount of $200,000. On the closing date, no amounts were drawn. The transaction was treated as issuance of new debt and not a modification or extinguishment to the Class A-1 2021 Notes and does not impact the borrowing capacity of terms of the Company's previous notes. Under the provisions of the Class A-1 2022 Notes, the Advance shall bear interest at (i) the base rate or (ii) if the required notice has been given for any SOFR interest accrual period, the term SOFR rate applicable to such SOFR interest accrual period for such advance. The base rate is defined as a rate per annum equal to the sum of (i) 3.25% plus (ii) the greater of (a) the series 2022-1 prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus .50%, and (c) Term SOFR for a one-month tenor in effect on such day plus 1.00%. The anticipated repayment date for the Class A-1 2022 Notes is October 2024, subject to three one-year extensions upon the satisfaction of certain conditions. The Company intends to exercise the extension options and expects the subsequent repayment date to be October, 2026. The final legal maturity date of the Class A-1 2022 Notes is October 2052. There are no principal payments due on the Class A-1 2022 Notes in the ordinary course, but the Class A-1 2022 Notes will be subject to rapid amortization if not paid in full by the anticipated repayment date. Since the Closing Date, the Company has withdrawn $91,330 resulting in an outstanding balance of $91,330 as of December 31, 2022. As a result of the transaction, the Company incurred costs of $2,528, of which $1,154 were recorded as contra-liability to debt as of December 31, 2022 and $1,374 were recorded within other assets as they relate to undrawn amounts.

**Class A-2 Notes**
The Class A-2 Notes were issued in the amount of $425,000. The Class A-2 Notes have an anticipated repayment date of July 2028 and a legal final maturity date of July 2051. Interest is due quarterly, with 3 months of interest and commitment fees on the Class A-2 Notes, Class

A-1 2021 Notes and Class A-1 2022 Notes required to be on deposit at all times in an interest reserve account. Interest on the A-2 notes accrues at 3.734% per annum and is due and payable on a quarterly basis. Principal payments of 0.25% of the initial principal amount of the Class A-2 Notes is payable on a quarterly basis (unless a non-amortization test is satisfied, as defined in the agreement governing the Class A-2 Notes).

The Series 2021-1 Notes are collateralized by substantially all of the assets of Issuer and collateralized by substantially all of the assets of and guaranteed by the Guarantor. The Series 2021-1 Notes are not secured, collateralized or guaranteed by any entities other than the SPE entities as defined in Note 1. The net proceeds from the Securitization Transaction, after transaction expenses, in the amount of $397,737 were distributed by the Issuer to the Company to repay all of its previously outstanding term and revolving debt and to terminate all commitments thereunder.

**Letters of Credit**
The Company has three and two letters of credit outstanding in an aggregate face amount of $6,165 and $5,076 as of December 31, 2022 and 2021, respectively, for interest reserve requirements required by the Securitization Transaction, which reflects 3 months of interest on the Class A-2 Notes amount of $425,000, 3 months of interest and commitment fees on the 2021 Class A-1 Notes assuming an estimated usage of $25,000, and 3 months of interest and commitment fees on the 2022 Class A-1 Notes assuming an estimated usage of $95,000.

The Series 2021-1 Notes agreements require, among other things, maintenance by the Company of principal and interest debt service coverage ratios, debt to EBITDA ratios and debt to net cash flows of Securitized entities ratios. As of December 31, 2022 and 2021, the Company was in compliance with these covenants.

## 13. Stockholder's Equity

As of December 31, 2022 and 2021, the Company had 1,000 shares of common stock issued, authorized and outstanding. The Company issued all 1,000 fully paid, nonassessable shares of the common stock at a par value of $0.001 per share, in exchange for aggregate subscription consideration of $1 US Dollar.

In accordance with the Certificate of Incorporation, the Company had a total of 1,000 shares of common stock to which it has the authority to issue with a par value of $0.001 per share.

Distributions to Parent were made totaling $21,135 in 2022 in connection with the HELOC Transaction, refer to Note 1 for details. No dividends or distributions were paid in 2021.

## 14. Stock-Based Compensation

**Class B Profit Interest Units**

***2018 Equity Plan***
Upon the formation of the company in 2018, the Company established an equity incentive plan (the "2018 Plan"). The Plan provided participants with an opportunity to participate in the distribution of the future profits of the Company. The awards issued under the Plan are also referred to as Class B Profit Interest Units. One third of Class B Profit Interest Units vest over time and are conditioned upon the achievement of a set return on invested capital. Remaining awards vest as the Company achieves multiples of the invested capital and are conditioned upon occurrence of a change in control, Initial Public Offering ("IPO") or a qualified leverage recapitalization ("change in control events").

In connection with the HELOC Transaction, all of the Class B awards issued under the 2018 plan vested and were settled pursuant to the change in control provisions provided for in the award agreement. The Company recognized $1,416 and $5,450 in stock-based compensation expense for the settlement of the time-vesting and performance-vesting awards, respectively, for the year ended December 31, 2022. Compensation expense related to the time-vesting Class B interest units of $1,502 was recognized in stock-based compensation expense on the consolidated statements of comprehensive loss for the year ended December 31, 2021. No units were vested as of December 31, 2021.

Prior to closing of the HELOC transaction, the Company modified the terms of the Class B Profit Interests previously granted to five management team members to allow for continued vesting post-separation. As a result of these modifications, the Company recognized stock-based compensation expense of $18,004 for the year ended December 31, 2022 based on the modification date fair value.

***2022 Equity Plan***
In November of 2022, in connection with the HELOC Transaction, the Company entered into the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"). The Company had 249,963,605 Class B Profit Interest Units authorized for issuance under the 2022 Plan and 175,724,414 units outstanding as of December 31, 2022.

The awards issued under the 2022 Plan are also referred to as Class B Profit Interest Units. For the 2022 Plan, 26.67% of Class B Profit Interest Units vest over time and are conditioned upon the participant's continued employment and the achievement of a set return on invested capital.

Remaining awards vest as the Company achieves multiples of the invested capital and are conditioned upon occurrence of a change in control or a qualified leverage recapitalization ("change in control events").

For the Class B Profit Interest Units granted under the 2022 Plan, for the year ended December 31, 2022, the Company determined that it is not probable that any of the change in control events will occur and, as such, compensation expenses related to the portion of the awards conditioned upon occurrence of these events has not been recognized in the consolidated financial statements as of and for the year ended December 31, 2022.

The awards that have a time-vesting component are earned in equal tranches upon each of the anniversaries over the period of five years which was determined to be the requisite service period. These awards will not vest until the return on invested capital condition is met or upon occurrence of the change in control events even as the time-vesting condition is met. As of December 31, 2022, no units were vested.

The table below summarizes transactions under the Company's stock-based compensation plans:

| | Time-Vesting Units | | |
|---|---|---|---|
| | Weighted Average Fair Value | Class B Profit Interest Units | Weighted Average Remaining Contractual Term |
| **Units outstanding as of December 31, 2020** | **$ 0.31** | **18,197,559** | **3.19 years** |
| Granted | 0.59 | 1,216,609 | |
| Forfeitures | - | - | |
| **Units outstanding as of December 31, 2021** | **$ 0.33** | **19,414,168** | **2.57 years** |
| Granted | 0.02 | 964,876 | |
| Forfeitures | 0.28 | (964,876) | |
| Vested due to change of control | 0.32 | (19,414,168) | |
| **Units outstanding as of November 30, 2022** | **$ -** | **-** | **N/A** |
| Granted under 2022 Plan | 0.30 | 46,865,701 | |
| Forfeitures | - | - | |
| Vested | - | - | |
| **Units outstanding as of December 31, 2022** | **$ 0.30** | **46,865,701** | **4.92 years** |

| | Performance-Vesting Units | | |
|---|---|---|---|
| | Weighted Average Fair Value | Class B Profit Interest Units | Weighted Average Remaining Contractual Term |
| **Units outstanding as of December 31, 2020** | **$ 0.17** | **36,395,119** | **3.19 years** |
| Granted | 0.32 | 2,433,219 | |
| Forfeitures | - | - | |
| **Units outstanding as of December 31, 2021** | **$ 0.18** | **38,828,338** | **2.57 years** |
| Granted | 0.02 | 9,663,251 | |
| Forfeitures | 0.15 | (3,618,889) | |
| Vested due to Plan modification | 0.13 | (44,872,700) | |
| **Units outstanding as of November 30, 2022** | **$ -** | **-** | **N/A** |
| Granted under 2022 Plan | 0.22 | 128,858,713 | |
| Forfeitures | - | - | |
| Vested | - | - | |
| **Units outstanding as of December 31, 2022** | **$ 0.22** | **128,858,713** | **4.92 years** |

The fair value of each option award is estimated on the date of the grant using the Black-Scholes options pricing model with the following assumptions for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Dividend Yield | 0% | 0% |
| Risk-free interest rate | 3.8% | 1.6% |
| Expected life of options | 5 years | 5 years |
| Volatility | 47.5% | 37.5% |

Expected volatilities are based on the average volatilities of comparable companies over the expected term. The risk-free interest rate is based on the average of the five-year treasury rate on the grant date of the options.

Compensation expense related to time-vesting Class B profit interest units of $535 was recognized in stock-based compensation expense under the 2022 Plan on the consolidated statements of comprehensive loss during the year ended December 31, 2022.

As of December 31, 2022 and 2021, the Company had $13,525 and $1,669 of unrecognized stock-based compensation expense related to unvested time-vesting stock-compensation arrangements. As of December 31, 2022 and 2021, the Company had $28,642 and $6,941 of unrecognized stock-based compensation expense related to unvested performance-vesting stock-compensation arrangements.

**Class A-2 Units Issued to Certain Executives**
The Partnership provided certain executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity, in accordance with the Contribution, Rollover and Subscription agreement. Under the terms of this agreement, the Company's executives were provided ownership interests in the Partnership in exchange for promissory notes.

These agreements are in substance, compensation arrangements and are accounted for as instruments similar to a stock option. Compensation expense is recognized at each balance sheet date with the changes in value recorded in the consolidated statements of comprehensive loss with the corresponding recognition of the noncash contribution from the Partnership in additional paid in capital in the consolidated balance sheet.

The Company elected to account for these awards using the intrinsic valuation technique which represents excess value of the employees' Class A-2 units that were exchanged for promissory notes over the exercise price (which represents the face value of the promissory notes plus accrued interest). 15,600,000 of A-2 units were granted on September 21, 2018 and the intrinsic value of these awards on the grant date was equal to the value of the award. There were no additional grants of these awards during 2021 or 2022. There were no forfeitures or exercises of these award during the years ended December 31, 2022 and 2021.

All Class A-2 units were settled by the Partnership as a result of the HELOC Transaction based on the Transaction Date fair value. As a result, the Company recognized a gain of $3,585 for the year ended December 31, 2022 in stock-based compensation expense on the consolidated statements of comprehensive loss. For the year ended December 31, 2021, the Company recognized a stock-based compensation expense of $25,301 in the consolidated statements of comprehensive loss, which represents the change in the fair value of these awards as of November 30, 2022 and December 31, 2021, respectively.

## 15. Leases

The Company leases office and retail space for its corporate employees, retail operations and vehicles.

Supplemental balance sheet information related to our finance and operating leases are as follows:

| | Classification | 2022 |
|---|---|---|
| **Assets** | | |
| Operating leases | Operating lease right-of-use assets | $ 14,136 |
| Finance leases | Property and equipment, net | 9,122 |
| **Total leased assets** | | **23,258** |
| | | |
| **Liabilities** | | |
| Current portion: | | |
| Operating leases | Operating lease liabilities, current portion | 3,870 |
| Finance leases | Accrued and other liabilities | 2,742 |
| Non-current portion: | | |
| Operating leases | Operating lease liabilities, non-current portion | 10,979 |
| Finance leases | Other long-term liabilities | 6,600 |
| **Total lease liabilities** | | **24,191** |
| | | |
| **Weighted average remaining lease term (in years):** | | |
| Operating leases | | 6.15 |
| Finance leases | | 2.36 |
| **Weighted average discount rate:** | | |
| Operating leases | | 1.68% |
| Finance leases | | 6.33% |

The Company's total operating and finance lease cost are comprised of the following for the years ended December 31, 2022:

| | 2022 |
|---|---|
| Operating lease expense | $ 3,675 |
| Finance lease expense | |
| Depreciation expense | 2,138 |
| Interest on lease liabilities | 261 |
| Variable lease expense | 643 |

Operating lease expense is recognized as a component of general and administrative expenses in the consolidated statements of comprehensive loss. There was no short-term lease expense for the year ended December 31, 2022. The Company excludes variable payments, such as common area maintenance, and operating expenses such as real estate taxes and insurance, from lease ROU assets and lease liabilities, to the extent not considered fixed, and instead expenses these costs as incurred.

Prior to the adoption of ASC 842, rent expense was $3,070 for the year ended December 31, 2021. Minimum capital lease payments were accounted for as principal and interest payments. Interest expense for all capital leases was $80 for the year ended December 31, 2021.

The following table describes the future maturities of the Company's operating and finance lease liabilities at December 31, 2022:

| | Finance Leases | Operating Leases |
|---|---|---|
| 2023 | $ 3,442 | $ 4,083 |
| 2024 | 2,912 | 2,825 |
| 2025 | 2,208 | 2,134 |
| 2026 | 1,477 | 1,905 |
| 2027 | 730 | 1,602 |
| Thereafter | - | 3,002 |
| Total minimum lease payments | **10,769** | **15,551** |
| Less: Amount representing interest and fees | 1,427 | 702 |
| Total lease liabilities | **9,342** | **14,849** |

Future lease payments related to the Company's finance leases for leased vehicles include maintenance and administrative fees and interest.

Supplemental cash flow information related to leases was as follows:

| | 2022 |
|---|---|
| Cash paid, net, for lease liabilities | |
| Operating cash flows from operating leases | $ 3,529 |
| Financing cash flows from finance leases | 2,775 |
| ROU assets obtained in exchange for lease liabilities in non-cash transactions: | |
| Operating leases [(1)] | 319 |
| Finance leases | 6,688 |

*(1) Amount represents ROU assets obtained in exchange for lease liabilities in non-cash transactions for new leases during the year and excludes the impact of the ASC 842 adoption and leases acquired through acquisitions.*

## 16. Related Parties

The Company has several agreements in place with related parties through common ownership by the Partnership, in the ordinary course of business as follows:

- Paycor, a HR and payroll solutions company, provided payroll support services to the Company for the years ended December 31, 2022 and 2021
- Assured Partners, a national partnership of financial services firms, provided insurance and employee benefits services to the Company for the years ended December 31, 2022 and 2021
- Thoughtworks, a software development and digital transformation company, provided software solutions to the Company for the years ended December 31, 2022 and 2021.

Board fees were paid to stockholders who provided services through membership on the Company board.

The Company also employs twenty-seven individuals, as of December 31, 2022 and 2021 who own and operate franchises of wholly owned subsidiary businesses. The Company recorded revenue and the corresponding accounts receivable related to these arrangements for the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Company paid rent expenses of $556 and $56, respectively, for a property owned by an employee and there were no corresponding accounts payable related to these arrangements.

Related party transactions consisted of the following:

| | Transaction | 2022 | 2021 |
|---|---|---|---|
| **Related parties through common ownership** | | | |
| Paycor | Expenses paid | $ 293 | $ 223 |
| Assured partners | Expenses paid | 125 | 125 |
| Thoughtworks | Expenses paid | 1,694 | 7,675 |
| **Stockholders** | | | |
| Board members | Board fees | $ 150 | $ 214 |
| **Transactions with employees** | | | |
| Revenue | | $ 4,973 | $ 4,028 |
| Accounts receivable | | 529 | 103 |
| Rent expenses paid | | 556 | 56 |

## 17. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in ASC Topic 450, Contingencies. Accordingly, no liabilities have been recorded for such matters as of December 31, 2022 and 2021. Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

## 18. Employee Benefit Plans

The Company sponsors a 401 (k) plan covering the majority of its employees meeting certain eligibility requirements. During the year ended December 31, 2022, the Plan provides for matching contributions of 50% of employee contributions, up to 10% of the participating employee's contributions. During the year ended December 31, 2021, the Plan provided for matching contributions of 100% of employee contributions, up to 4% of the participating employee's contributions. The Company's contributions to the Plan totaled $2,309 and $1,653 for the years ended December 31, 2022 and 2021, respectively.

## 19. Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition and disclosure in the consolidated financial statements through April 21, 2023, the date the consolidated financial statements were available to be issued. The Company did not identify any matters except for those below:

- On February 8, 2023, the Company entered into an agreement to acquire 100% of the issued and outstanding equity interests of The Screenmobile Corporation. The purchase price of $18,000 was funded with $900 of rollover equity and borrowings from the Company's Class A-1 2022 Notes
- On March 31, 2023, the Company entered into an agreement to acquire 100% of the issued and outstanding equity interests of Weed Pro LTD. The purchase price of $24,750 was funded with $5,500 of rollover equity and borrowings from the Company's Class A-1 2022 Notes.

At the time the financial statements are available to be issued, the accounting for the above business combinations was incomplete and the purchase price allocation was not finalized.

# Authority Brands Inc. and Subsidiaries
## Consolidated Balance Sheets
## December 31, 2021 and 2020

| in (000's) | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 26,889 | $ 14,128 |
| Restricted cash | 2,001 | 940 |
| Accounts receivable, net | 24,179 | 18,224 |
| Inventory, net | 5,712 | 4,939 |
| Prepaid expenses and other current assets | 6,933 | 5,436 |
| Total current assets | 65,714 | 43,667 |
| Property and equipment, net | 40,877 | 24,274 |
| Intangible assets, net | 440,261 | 426,148 |
| Goodwill | 349,439 | 342,008 |
| Other assets | 9,315 | 8,587 |
| Total assets | $ 905,606 | $ 844,684 |
| **Liabilities and Stockholder's Equity** | | |
| Current liabilities | | |
| Accounts payable | $ 8,005 | $ 6,121 |
| Accrued and other liabilities | 29,950 | 21,415 |
| Deferred revenue | 10,406 | 6,427 |
| Current maturities on long-term debt | 4,250 | 4,130 |
| Total current liabilities | 52,611 | 38,093 |
| Long-term debt, net | 414,273 | 366,575 |
| Deferred tax liability, net | 33,570 | 31,065 |
| Other long-term liabilities | 21,591 | 19,917 |
| Total liabilities | 522,045 | 455,650 |
| Stockholder's equity | 383,561 | 389,034 |
| Total liabilities and stockholder's equity | $ 905,606 | $ 844,684 |

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

# Authority Brands Inc. and Subsidiaries
## Consolidated Statements of Comprehensive Loss
## Years Ended December 31, 2021 and 2020

| in (000's) | 2021 | 2020 |
|---|---|---|
| **Revenues** | | |
| Franchise service fees | $ 129,084 | $ 96,941 |
| Franchise sales fees | 4,339 | 2,860 |
| Residential services | 133,347 | 117,750 |
| Other revenues | 23,967 | 21,647 |
| Total revenues | 290,737 | 239,198 |
| **Costs and expenses** | | |
| Franchise support expenses | 71,316 | 55,587 |
| Franchise sales expenses | 4,259 | 1,991 |
| Residential service expenses | 112,523 | 97,833 |
| General and administrative expenses | 42,155 | 34,500 |
| Stock based compensation | 26,803 | 7,446 |
| Transaction costs | 2,183 | 4,095 |
| Depreciation and amortization | 35,628 | 32,159 |
| Total costs and expenses | 294,867 | 233,611 |
| Operating (loss) income | (4,130) | 5,587 |
| Interest expense, net | (22,696) | (27,181) |
| Loss on extinguishment of debt | (9,715) | - |
| Loss before income taxes | (36,541) | (21,594) |
| Income tax benefit | 2,402 | 4,958 |
| Net loss | (34,139) | (16,636) |
| **Other comprehensive loss** | - | |
| Change in foreign currency translation adjustment | (12) | (7) |
| Other comprehensive loss | (12) | (7) |
| Comprehensive loss | $ (34,151) | $ (16,643) |

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

# Authority Brands Inc. and Subsidiaries
## Consolidated Statements of Changes in Stockholder's Equity
## Years Ended December 31, 2021 and 2020

| in (000's) | Common stock Units | Common stock Amount | Additional Paid In Capital | Accumulated Deficit | Accumulated Other Comprehensive (Loss) Income | Total Stockholder's Equity |
|---|---|---|---|---|---|---|
| **Balances at December 31, 2019** | 1 | $ - | $ 455,842 | $ (31,745) | $ 4 | $ 424,101 |
| Capital contributions | - | - | 36,135 | - | - | 36,135 |
| Stock based compensation | - | - | 7,446 | - | - | 7,446 |
| Other comprehensive loss | - | - | - | - | (7) | (7) |
| Dividend to partnership | - | - | (62,005) | - | - | (62,005) |
| Net loss | - | - | - | (16,636) | - | (16,636) |
| **Balances at December 31, 2020** | 1 | - | 437,418 | (48,381) | (3) | 389,034 |
| Capital contributions | - | - | 1,875 | - | - | 1,875 |
| Stock based compensation | - | - | 26,803 | - | - | 26,803 |
| Other comprehensive loss | - | - | - | - | (12) | (12) |
| Net loss | - | - | - | (34,139) | - | (34,139) |
| **Balances at December 31, 2021** | 1 | $ - | $ 466,096 | $ (82,520) | $ (15) | $ 383,561 |

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

# Authority Brands Inc. and Subsidiaries
## Consolidated Statements of Cash Flows
## Years Ended December 31, 2021 and 2020

| in (000's) | 2021 | 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (34,139) | $ (16,636) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 37,069 | 32,159 |
| Inventory reserve | 339 | 213 |
| Bad debt expense | 1,290 | 1,250 |
| Stock based compensation | 26,803 | 7,446 |
| Gain on disposal of property and equipment | (288) | (288) |
| Amortization of deferred loan costs | 1,976 | 1,959 |
| Loss on extinguishment of debt | 9,715 | - |
| Deferred taxes | (2,984) | (5,358) |
| Other | 308 | - |
| Changes in assets and liabilities | | |
| Accounts receivable | (5,836) | (5,171) |
| Inventory | (836) | (78) |
| Prepaid expenses and other current assets | (1,431) | 150 |
| Other assets | (1,518) | (3,843) |
| Accounts payable | 1,819 | (1,593) |
| Accrued liabilities | 8,166 | 7,149 |
| Other liabilities | 59 | (6,128) |
| Deferred revenue | 4,588 | 4,477 |
| Net cash provided by operating activities | 45,100 | 15,708 |
| **Cash flows from investing activities** | | |
| Business acquisitions, net of cash acquired | (21,828) | (39,881) |
| Purchase of assets through asset acquisition | (26,414) | - |
| Purchases of property and equipment | (1,272) | (93) |
| Proceeds on disposal of property and equipment | 257 | 539 |
| Capitalized software development costs | (15,955) | (10,126) |
| Purchase of intellectual property | - | (840) |
| Net cash used in investing activities | (65,212) | (50,401) |
| **Cash flows from financing activities** | | |
| Capital contributions | 275 | 16,135 |
| Dividend to Partnership | - | (62,005) |
| Payments of capital leases | (2,302) | (2,004) |
| Borrowings from long-term debt, net of deferred financing cost | 445,943 | 176,526 |
| Repayments of long-term debt | (409,982) | (92,910) |
| Net cash provided by financing activities | 33,934 | 35,742 |
| Increase in cash and cash equivalents | 13,822 | 1,049 |
| **Cash, restricted cash and cash equivalents** | | |
| Beginning of year | 15,068 | 14,019 |
| End of year | $ 28,890 | $ 15,068 |

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

# Authority Brands Inc. and Subsidiaries
## Consolidated Statements of Cash Flows
## Years Ended December 31, 2021 and 2020

| in (000's) | 2021 | 2020 |
|---|---|---|
| **Supplemental disclosures of cash flow information** | | |
| Interest paid | $ 18,830 | $ 24,205 |
| Taxes paid, net of refunds | 400 | (32) |
| **Supplemental disclosures of noncash flow information** | | |
| Change in indemnification asset | 1,060 | 741 |
| Change in uncertain tax position | (1,060) | (741) |
| Capital expenditures included in accrued liabilities | 1,277 | 1,107 |
| Capital lease acquisitions | 2,691 | 3,199 |
| Noncash business acquisition consideration | (1,600) | (20,000) |
| Capital contribution – rollover equity | 1,600 | 20,000 |
| **Reconciliation of cash, restricted cash, and cash equivalents reported in the consolidated balance sheet** | | |
| Cash and cash equivalents | $ 26,889 | $ 14,128 |
| Restricted cash | 2,001 | 940 |
| Total cash, restricted cash, and cash equivalents shown in the statement of cash flows | $ 28,890 | $ 15,068 |

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

## 1. Organization and Description of Business

Authority Brands Inc. and Subsidiaries ("the Company" or "Authority Brands"), formally known as Villa Bidco Inc. and Subsidiaries prior to the Company's name change on May 17, 2021, is the parent company of a number of franchisors and related businesses operating in the United States and internationally. The Company is wholly owned by Villa Aggregator LP (the "Partnership") through Villa TopCo Inc.

On March 24, 2021, in contemplation of a whole business securitization which was completed on May 14, 2021 (see Note 12), fifteen wholly owned entities were established by the Company. The first three entities formed were AB SPE Guarantor LLC and Subsidiaries ("Guarantor") a direct, wholly-owned subsidiary of the Company which directly and wholly owns AB Issuer LLC ("Issuer"), a newly formed special purpose Delaware limited liability company which directly and wholly owns AB Assetco LLC and Subsidiaries ("AB Assetco"), a Delaware limited liability company.

AB Assetco wholly owns the following remaining twelve Special Purpose Entity ("SPE") entities formed as follows:

- The Cleaning Authority Franchising SPE LLC ("The Cleaning Authority Franchisor")
- Homewatch CareGivers Franchising SPE LLC ("Homewatch Franchisor")
- Mosquito Squad Franchising SPE LLC ("Mosquito Squad Franchisor")
- ASP Franchising SPE LLC ("ASP Franchisor")
- Benjamin Franklin Franchising SPE LLC ("Benjamin Franklin Franchisor")
- Mister Sparky Franchising SPE LLC ("Mister Sparky Franchisor")
- One Hour Air Conditioning Franchising SPE LLC ("One Hour Air Conditioning Franchisor")
- Monster Franchising SPE LLC ("Monster Franchisor")
- STOP Franchising SPE LLC ("STOP Franchisor")
- DoodyCalls Franchising SPE LLC ("DoodyCalls Franchisor")
- BuyMax SPE LLC ("BuyMax SPE")
- Successware SPE LLC ("SuccessWare SPE").

Guarantor and each of its subsidiaries other than Issuer are collectively referred to as Guarantors. Issuer and Guarantors are collectively referred to as "Securitization Entities".

The Company wholly owns the following remaining entities, collectively referred to as "Non Securitization Entities":

- The Cleaning Authority, Inc. ("The Cleaning Authority Canada")
- The Cleaning Authority LLC ("The Cleaning Authority")
- Mighty Maids LLC ("TCA of Columbia, MD")
- Homewatch CareGivers LLC ("Homewatch CareGivers")
- Homewatch Canada, Inc. ("Homewatch Canada")
- Homewatch CareGivers International, Inc. ("Homewatch International")
- Pool Water Holdings LLC ("America's Swimming Pool" or "ASP") and its subsidiaries which includes: ASP Franchising LLC, ASP Aviation LLC and Greeneland LLC
- Clockwork Inc. and its subsidiaries ("Clockwork"), which includes: Successware, Inc., Benjamin Franklin Franchising LLC, Mister Sparky Franchising LLC, One Hour Air Conditioning Franchising LLC, Clockwork IP LLC, Quality A/C Service LLC, New Millenium Academy LLC, UWIN LLC and BuyMax LLC
- Authority Brands LLC

- Mosquito Squad Franchising LLC ("Mosquito Squad")
- Monster Topco LLC and its subsidiaries ("Monster") which includes Monster New Franchisor LLC and Monster New Tree Service LLC
- DoodyCalls Inc. and its affiliates DoodyCalls LLC and DoodyCalls Intellectual Property LLC ("DoodyCalls")
- STOP Franchising, Inc. ("STOP")
- LMS LLC, LMSNH LLC, and LMSRI Inc. ("Macchia")

Monster Topco LLC and its subsidiaries ("Monster") and STOP Franchising, Inc. ("STOP") were acquired by the Company in 2020 (Note 3).

DoodyCalls and Macchia were acquired by the Company during 2021 (Note 3).

As of December 31, 2021 and 2020, the Company owned and operated 20 and 16 franchise locations, respectively. Expenses related to the management and operation of these owned businesses are included in the residential service expenses line in the consolidated statements of comprehensive loss for the years ended December 31, 2021 and 2020.

Franchised outlets as of December 31, 2021 and 2020 are summarized as follows:

| | Franchises as of December 31, 2020 | Acquired During the Period | Opened During the Period | Closed During the Period | Reacquired by Franchisor | Franchises as of December 31, 2021 |
|---|---|---|---|---|---|---|
| Ben Franklin | 247 | - | 9 | - | - | 256 |
| Mister Sparky | 98 | - | 20 | (2) | - | 116 |
| One Hour | 322 | - | 27 | (7) | - | 342 |
| Homewatch | 198 | - | 27 | (13) | - | 212 |
| Mosquito Squad | 220 | - | 22 | (6) | (14) | 222 |
| The Cleaning Authority | 207 | - | 7 | (5) | - | 209 |
| America's Swimming Pool | 321 | - | 35 | (11) | - | 345 |
| Monster | 176 | - | 72 | (8) | - | 240 |
| DoodyCalls | - | 36 | 18 | (1) | - | 53 |
| STOP | 29 | - | 1 | (2) | - | 28 |
| | 1,818 | 36 | 238 | (55) | (14) | 2,023 |

Dollar values presented in the consolidated financial statements are in thousands of US dollars, unless otherwise stated.

## 2. Summary of Significant Accounting Policies

### Financial Statement Preparation and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles and practices of the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries outlined in Note 1. All intercompany accounts and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The areas that require the use of management estimates include purchase price allocation, deferred income taxes, the carrying value of goodwill and stock-based compensation. Actual results could differ from those estimates.

The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of COVID-19 as of December 31, 2021 and through the date of this report. The accounting matters assessed included, but were not limited to, our allowance for doubtful accounts, stock-based compensation, the carrying value of our goodwill and other long-lived assets, and revenue recognition. While there was not a material impact to our consolidated financial statements resulting from our assessments as of and for the year ended December 31, 2021 and 2020, our future assessment of our current expectations at that time of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to our consolidated financial statements in future reporting periods.

**Revenue Recognition**
Revenue is recognized in accordance with Accounting Standards Codification ("ASC") 606 – Revenue from Contracts with Customers, using a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

The following describes principal activities from which the Company generates its revenues and the associated revenue recognition policies:

*Franchise Revenue*
Franchise revenue consists of royalty, national advertising, local advertising, software fees, call center and initial franchise fees charged to franchisees. The Company administers the national advertising fund ("NAF") which is funded by the franchisees and is used to pay for the costs of preparing and producing various advertising and marketing materials for the franchisees.

The Company's primary performance obligation under franchise agreements is granting rights to use the Company's intellectual property over the term of the franchise agreement. Brand royalty and NAF fees are primarily based on a percentage of franchisee sales and the Company recognizes revenue for these fees as they become billable when the underlying franchisee sales occur. These fees are generally billed on a monthly basis. Fixed franchise and NAF fees, which are included in certain brand franchise agreements, are recognized on a straight-line basis over the franchise agreement term. Initial franchise fees are not associated with a service distinct from the overall initial franchise right performance obligation and are therefore recognized on a straight-line basis over the franchise agreement term. The advertising funded through the NAF benefits the franchise brands overall, rather than the individual franchise owners, and therefore is not a performance obligation separate from the overall franchise right. Any underspending of NAF contributions is recorded as accrued and other liabilities on the consolidated balance sheets.

Local advertising, software and call center services provide a distinct benefit from the franchise right and are therefore separate performance obligations. Fees associated with these services are generally billed as a monthly fixed or usage-based amount and are recognized as revenue as the services are performed either on a straight-line basis over the contract term if the fee is fixed or as invoiced if the fee is based on usage.

Franchise revenue, except for initial franchise fees, is included in the franchise services fees on the consolidated statements of comprehensive loss. Initial franchise fees are included in franchise sales fees on the consolidated statements of comprehensive loss.

*Company-Owned Store Revenue*
Revenue from company-owned stores is generally recognized when the services are performed, which typically occurs on a single day. Payment is due within a short period of time after the service has been performed. The Company also offers extended warranties and annual service plans. Revenue associated with these services is recognized on a straight-line basis over the contract term. Fees are generally billed annually in advance and are included in deferred revenue and other long-term liabilities on the consolidated balance sheets until revenue recognition occurs.

Company-owned store revenue is included in residential services on the consolidated statements of comprehensive loss.

*Product Sales Revenue*
The Company sells products to franchisee and non-franchisee customers. Revenue for product sales in which the Company has inventory risk is recognized at a point in time when control transfers to the buyer, which is generally when the product is shipped to the customer. Payment is due within a short period of time after the shipment.

The Company acts as an agent in respect of certain third-party products that are sold through the Company's online platform. The Company has no inventory risk on these products as they are drop shipped to the end customer and the third-party vendor is primarily responsible for fulfilling the order. The Company therefore recognizes revenue at an amount equal to the net fees received after payment to the third-party vendor.

Product sales revenue is included in other revenues on the consolidated statements of comprehensive loss for the years ended December 31, 2021 and 2020.

Obligations arising for returns, refunds, and other assurance warranties are infrequent and are not significant to the consolidated financial statements for the years ended December 31, 2021 and 2020.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

*Rebates*
Rebates received from third-party vendors in return for the Company maintaining a buying program that connects the vendors with the Company's franchisee customers are recognized as revenue as they become due, which is generally on a monthly basis. Rebates are calculated as a percentage of third-party sales and are included in other revenue on the consolidated statements of comprehensive loss.

*Contract Balances*
Contract assets, which relate to fixed franchise and NAF fees for certain franchise agreements, are amounts for which revenue has been recognized but the Company's right to consideration is conditional upon performing further service. Current contract assets are included in prepaid expenses and other currents assets. The long-term contract asset balance is included in other assets on the consolidated balance sheets.

Contract liabilities are amounts collected, or an unconditional right to consideration (receivable) in advance of delivery of goods or services. Contract liabilities are typically related to billed amounts for obligations that have not yet been satisfied and therefore may not be recognized until conditions

of the contract are met. Contract liabilities consist of initial franchise fees and service plans. Initial franchise fees are collected near the execution date of the franchise agreement and recognized on a straight-line basis over the franchise agreement term. Fees for services plans are collected upfront and recognized over the life of the plan, which is generally one year. The current portion of contract liabilities is included in deferred revenue on the consolidated balance sheets. Long-term contract liabilities are included in other long-term liabilities on the consolidated balance sheets.

The following table presents closing balances of contract assets and liabilities as of December 31, 2021 and 2020:

| | Balance at December 31, 2021 | Balance at December 31, 2020 | Location on the Consolidated Balance Sheets |
|---|---|---|---|
| Contract assets - short-term | $ - | $ - | Prepaid expenses and other current assets |
| Contract assets - long-term | 406 | 406 | Other assets |
| Contract liabilities - short-term | 9,382 | 5,476 | Deferred revenue |
| Contract liabilities - long-term | 17,375 | 14,542 | Other long-term liabilities |

The Company recognized revenue of $9,333 and $9,019 for amortization of initial franchise fees and service plans for the years ended December 31, 2021 and 2020 in franchise sales fees and residential services, respectively, on the consolidated statements of comprehensive loss.

*Costs Incurred to Obtain a Contract with Customers*
The Company capitalizes commissions paid to brokers that are a direct result of obtaining a new franchise agreement and amortizes these costs over the franchise agreement period. The Company recognized $479 and $248 of commission costs in franchise sales expenses on the consolidated statements of comprehensive loss for the years ended December 31, 2021 and 2020.

**Accounts Receivable and Allowance for Doubtful Accounts**
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Uncollectible accounts are written off against the allowance when collection of the amounts appears doubtful. As of December 31, 2021 and 2020, the allowance for doubtful accounts was $1,866 and $1,983, respectively. During the years ended December 31, 2021 and 2020, the Company had write-offs of uncollectible accounts of $77 and $720, respectively.

**Cash and Cash Equivalents**
The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents. Cash consists primarily of cash on hand and cash on deposit. The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

In accordance with Accounting Standards Update (“ASU”) 2016-15 Statement of Cash Flows (Topic 230), cash payments made not soon after (defined as more than three months) the acquisition date of a business combination to settle any contingent consideration liabilities, the payments are separated and classified as cash outflows from financing activities and operating activities. Cash payments up to the amount of the contingent consideration liability recognized at

the acquisition date (including measurement-period adjustments) are classified as financing activities; any excess is classified as operating activities. The Company did not pay any contingent consideration during the years ended December 31, 2021 and 2020.

**Restricted Cash**
As of December 31, 2021 and 2020, the Company held $2,001 and $940, respectively, in restricted cash under the requirements of certain corporate insurance plans and as collateral in connection with the borrowing facilities.

**Inventory**
Inventory consists of products, materials and equipment to be sold and is stated at the lower of cost or net realizable value, with cost determined using weighted-average, on a first-in, first-out method. Inventory is assessed on an annual basis for slow moving and obsolete items. As of December 31, 2021 and 2020, the Company had an inventory reserve of $552 and $213, respectively.

**Property and Equipment**
Property and equipment is stated at historical cost and depreciated using the straight-line method over the estimated useful life of the assets. Additions and betterments are capitalized, maintenance and repairs which do not extend the useful life of the assets are expensed as incurred in general and administrative expenses on the consolidated statements of comprehensive loss.

**Capitalized Software, Net**
The Company capitalizes certain costs incurred in the development of various internally used software platforms, in accordance with ASC 350-40, “Internal-Use Software”, which requires certain costs incurred during the application development stage be capitalized and other costs incurred during the preliminary project and post-implementation stages be expensed as they are incurred. The Company capitalizes implementation costs incurred in cloud computing arrangements that are service contracts in accordance with ASU 2018-15, “Intangibles – Goodwill and Other – Internal Use Software”. The Company also develops software platforms and mobile applications to be sold and capitalizes costs in accordance with ASC 985-20, “Software – Cost of Software to be Sold, Leased or Marketed”, which requires development costs incurred in the research and development of new software products be expensed as incurred until technological feasibility, in the form of a working model, has been established, at which time such costs are capitalized until the product is available for general release to customers.

The Company capitalizes software development costs when the preliminary project stage is completed and the technological feasibility is established. Capitalized costs include personnel and related expenses for employees and third-party contractors who are directly associated with and who devote time to internal-use software projects. Any costs incurred to significantly upgrade or enhance the Company’s software platform are also capitalized. Costs related to the preliminary project activities and post-implementation support activities are expensed as incurred. Amortization of capitalized software costs accounted for in accordance with ASC 350-40 and ASC 985-20 are recognized in depreciation and amortization and franchise support expenses on the consolidated financial statements using a straight-line method over an estimated useful life of three to five years for mobile applications and software platforms, respectively.

**Leases**
The Company leases retail locations, office space and equipment. Under ASC 840 “Leases”, leases are classified as either operating or capital.

For leases classified as operating, the minimum rental payments over the lease term (including reasonably assured renewal periods) are recognized on a straight-line basis over the lease term. The excess of straight-line rent expense over scheduled payments is recorded as a deferred rent. Deferred rent as of December 31, 2021 and 2020, was $539 and $387, respectively. Executory costs such as real estate taxes and maintenance, and contingent rentals such as those based on a percentage of sales are recognized as incurred. The lease term, which includes all renewal periods that are reasonably assured, begins on the date the Company has access to the leased property. The Company receives contributions from landlords for leasehold improvements. Such contributions are recorded as deferred rent and amortized as reductions to lease expense over the lease term.

Assets held under capital leases are included in property and equipment on the consolidated balance sheet and are amortized over the lesser of the term of the related lease or the estimated useful life of the asset.

**Intangible Assets**
Intangible assets consist of trademarks, franchise relationships, customer relationships, proprietary processes, and noncompetition agreements. Intangible assets are stated at their estimated fair value at the date of acquisition. Amortization is computed over the estimated useful lives of the related intangible assets using the straight-line method.

**Long-lived Assets**
In accordance with ASC 360, Accounting for Impairment or Disposal of Long-Lived Assets, long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If not recoverable, the Company determines the fair value of the asset group using a discounted cash flow. If the carrying amount of an asset group exceeds its estimated discounted future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The Company did not recognize any impairment charges for the years ended December 31, 2021 and 2020.

**Goodwill**
Goodwill represents the excess of acquisition costs over the fair value of assets and liabilities acquired, including specifically identified intangible assets. Goodwill is not amortized but is tested for impairment annually as of the last day of each fiscal year in line with guidance prescribed by ASU 2021-03 “Accounting Alternative for Evaluating Triggering Events” and evaluated if the facts and circumstances at year end indicate if any triggering event existed.

In conducting impairment testing, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If the Company performs a qualitative assessment and determines that the carrying value more likely than not exceeds the fair value, then the quantitative impairment test is performed, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test. The ultimate outcome of the goodwill impairment assessment will be the same whether the Company chooses to perform the qualitative assessment or proceed directly to the quantitative impairment test.

The Company chose to perform a qualitative impairment test for goodwill as of December 31, 2021 and 2020. The Company determined that the recorded value for goodwill was not impaired.

**Deferred Loan Costs**
In accordance with ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), the Company capitalizes and defers certain loan costs, which are presented on the consolidated balance sheets as a reduction of long-term debt or within other assets, when they relate to undrawn amounts from the Company's Class A-1 Notes and delayed draw facility. These costs are amortized over the term of the debt using the straight-line method, which approximates the effective interest method.

**Stock Based Compensation**
Upon the formation of the Company in 2018, the Partnership established the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the "Plan"), which governs certain stock-based and other incentive compensation with the employees. The Plan provides employees an opportunity to indirectly participate in the distribution of the future profits of the Company.

The awards issued under the Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by the Monte-Carlo simulation valuation model. Compensation expense is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock based compensation on the consolidated statements of comprehensive loss. The Company made a policy election to recognize forfeitures as they occur.

The Company also provided certain executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity. The promissory notes only have recourse against the employee's Class A-2 units, as such they are considered to be a stock option in accordance with GAAP. In addition, the notes have an interest rate that is based on a third party indexed rate, and therefore the stock option is classified as a liability award by the Partnership. Liability classified awards are measured at each reporting date using the intrinsic value model with the related compensation expense recognized in stock compensation expense in the consolidated statements of comprehensive loss. Until the stock option is deemed to have been exercised through the repayment of the notes, any distributions on these shares will be deemed compensation expense.

The Company is not the legal obligor of these stock awards. Therefore, the obligation (liability classified award) remains with the Partnership and any stock compensation charges incurred are recognized as additional paid-in capital through a noncash contribution with an offsetting charge to compensation expense.

**Taxes**
The Company is subject to federal and state income taxes. Accordingly, an income tax provision has been recognized for federal and state income taxes. The Cleaning Authority Canada and Homewatch Canada are Canadian corporations that are subject to Canadian income taxes. For 2021 and 2020, income taxes for The Cleaning Authority Canada and Homewatch Canada were insignificant.

The Company provides for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for financial reporting and for income tax reporting. The deferred tax assets or liabilities represent the

future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

For balance sheet presentation purposes, the Company nets its deferred tax asset and deferred tax liability positions by tax jurisdiction and classifies the resulting net deferred tax asset and/or net deferred tax liability as noncurrent in accordance with ASU 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes on the consolidated balance sheets.

The Company utilizes a two-step approach for recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. Income taxes are accounted for on an accrual basis.

**Advertising Costs**
The Company administers the NAF funded by the franchisees for which the associated revenue is recognized in franchise service fees on the consolidated statements of comprehensive loss. The NAF pays for costs of preparing and producing various advertising and marketing materials for the franchises.

The NAF advertising expenses are recognized as incurred and are included in franchise support expenses on the consolidated statements of comprehensive loss. NAF expenses for the years ended December 31, 2021 and 2020 were $12,858 and $14,212, respectively.

Non-NAF advertising expenses are recognized as incurred and included in both franchise sales expense and residential service expenses on the consolidated statements of comprehensive loss. For the years ended December 31, 2021 and 2020, $15,904 and $28,503, respectively, was expensed in the consolidated statements of comprehensive loss.

**Foreign Currency Translation**
The assets and liabilities of foreign operations in Canada, whose functional currency is other than the U.S. dollar, are translated to U.S. dollars at the period end exchange rates and revenues and expenses are translated at average exchange rates for the period. Differences arising from this translation are included in the foreign currency translation adjustment component of accumulated other comprehensive (loss) income.

For all operations, the monetary items denominated in currencies other than the functional currency are remeasured at period-end exchange rates and transaction gains and losses are included in general and administrative expense in the consolidated statements of comprehensive loss. Nonmonetary items are remeasured at historical rates. Impacts resulting from the foreign currency fluctuations were not significant to the consolidated financial statements as of and during the periods presented.

**Fair Value Measurements**
The Company applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market

participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, accounts receivable, inventory, prepaid expenses, accounts payable, accrued liabilities and deferred franchise fees approximate fair value because of the short maturity of the instruments. The carrying value of long-term debt approximates fair value as the stated interest rates are at market rates.

**Recently Issued Accounting Pronouncements**

*Leases*

In February 2016, the FASB issued ASU 2016-02, as subsequently updated (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheets and disclosing key information about leasing arrangements. The new standard applies a right-of-use model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Currently these amendments will become effective for the Company beginning January 1, 2022. A modified retrospective transition approach is allowed for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the adoption of the standard on the consolidated financial statements.

*Credit Losses*

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments -Credit Losses ("ASC 326"): Measurement of Credit Losses on Financial Instruments, which requires the application of a current expected credit loss ("CECL") impairment model to financial assets measured at amortized cost (including trade accounts receivable), net investments in leases, and certain off-balance-sheet credit exposures. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. Furthermore, the CECL model requires financial assets with similar risk characteristics

to be analyzed on a collective basis. ASC 326 is effective for the Company on January 1, 2023. The Company is in the process of assessing the impact that ASU No. 2016-13 will have on the Company's consolidated financial position, results of operations, cash flows, and disclosures.

*Income Taxes*
In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU 2019-12 introduced a number of simplification initiatives by removing certain exceptions to the general principles in Topic 740. ASU 2019-12 is effective for the Company on January 1, 2022, with early adoption permitted. The amendments in the standard would need to be applied on a retrospective basis. The Company is currently reviewing the requirements of the standard and evaluating the impact on its consolidated financial statements.

*Reference Rate Reform*
In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)." This ASU provides optional means and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of the reference rate reform. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. As the Company enters into new contracts, the Company is implementing the ASU.

## 3. Acquisitions

### Asset Acquisitions

***Macchia***
On December 30, 2021, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of LMS, LLC, LMSRI, Inc., and LMSNH, LLC for a purchase price of $24,726. The businesses represent a group of retail operations of Mosquito Squad. The purchase price was allocated to customer relationships intangible assets in the amount of $27,766, which will be amortized on straight line basis over its useful life of 5 years, vehicles and equipment in the amount of $1,500, deferred tax liability of $5,490 and other liabilities in the amount of $1,000. The transaction was funded with cash held on the seller's balance sheet of $1,950 and cash held by the Company.

In accordance with guidance issued by the FASB for asset acquisitions, the purchase price was allocated to the assets acquired and liabilities assumed at cost. As such, no goodwill was recognized.

***Other***
During 2021, the Company entered into several purchase and sale agreements to acquire 100% of the assets of other retail operations for an aggregate purchase price of $3,638. The purchase price was allocated to customer relationships intangible assets for $3,312, which will be amortized on a straight-line basis over a useful life of 4 years. The acquisitions were funded with cash held by the Company.

In accordance with guidance issued by the FASB for assets acquisition, the purchase price was allocated to the assets acquired and liabilities assumed at cost. As such, no goodwill was recognized.

As a result of the above transactions, the Company paid transaction fees of $445.

**Business Combinations**

***DoodyCalls***

On February 17, 2021, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of DoodyCalls, Inc. and its affiliates DoodyCalls LLC, DoodyCalls Intellectual Property LLC for a purchase price of $23,428 DoodyCalls is a franchising company that provides pet waste removal services for homeowners and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with rollover equity of $1,600 and borrowings from the Company's delayed draw credit facility. All goodwill that has been recognized in the acquisition relates to intangible assets that do not qualify for separate recognition. Acquired goodwill is expected to be deductible for tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of $751, which are included in transaction costs on the consolidated statements of comprehensive loss.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

| | | |
|---|---|---|
| **Assets acquired** | | |
| Current assets | $ | 1,163 |
| Property and equipment | | 462 |
| Goodwill | | 7,761 |
| Intangible assets and other assets | | 14,321 |
| Assets acquired | | 23,707 |
| Liabilities assumed | | (279) |
| Purchase price, net of cash acquired | $ | 23,428 |

***STOP***

On November 2, 2020, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of STOP Franchising, Inc., for an aggregate net purchase price of $5,140. The transaction was funded with cash held by the Company. STOP is a home restoration franchising company and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. All goodwill that has been recognized in the acquisition relate to intangible assets that do not qualify for separate recognition. Identified goodwill is not deductible for tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of $259, which are included in transaction costs on the consolidated statements of comprehensive loss.

The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values as follows:

| | | |
|---|---|---|
| **Assets acquired** | | |
| Current assets | $ | 276 |
| Goodwill | | 3,792 |
| Intangible assets and other assets | | 1,658 |
| Assets acquired | | 5,726 |
| Deferred revenue | | (259) |
| Liabilities assumed | | (426) |
| Purchase price, net of cash acquired | $ | 5,041 |

***Monster***

On September 15, 2020, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding assets of Monster Topco LLC., for an aggregate net purchase price of $54,840. The transaction was funded by $15,000 from equity contributions from the Partnership, $20,440 through draws on the existing term loan facility and $1,981 of cash on hand. The transaction also included rollover of equity totaling $20,000. These amounts were used as consideration to the seller and payment of associated transaction costs with any excess funds retained by the Company. Monster is a tree servicing franchising company and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. All goodwill that has been recognized in the acquisition relate to intangible assets that do not qualify for separate recognition. Identified goodwill is expected to be deductible for tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of $2,581, which are included in transaction costs on the consolidated statements of comprehensive loss.

The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values as follows:

| | | |
|---|---|---|
| **Assets acquired** | | |
| Current assets | $ | 714 |
| Property and equipment | | 923 |
| Goodwill | | 29,067 |
| Intangible assets and other assets | | 30,550 |
| Assets acquired | | 61,254 |
| Deferred revenue | | (6,096) |
| Liabilities assumed | | (318) |
| Purchase price | $ | 54,840 |

## 4. Inventory, Net

Inventory, net consisted of the following as of December 31, 2021 and 2020:

| | 2021 | | |
|---|---|---|---|
| | Gross | Reserve | Net |
| Products for sale | $ 3,310 | $ (457) | $ 2,853 |
| Materials | 2,080 | (69) | 2,011 |
| Equipment | 874 | (26) | 848 |
| Total inventory | $ 6,264 | $ (552) | $ 5,712 |

| | 2020 | | |
|---|---|---|---|
| | Gross | Reserve | Net |
| Products for sale | $ 2,981 | $ (117) | $ 2,864 |
| Materials | 1,765 | (84) | 1,681 |
| Equipment | 406 | (12) | 394 |
| Total inventory | $ 5,152 | $ (213) | $ 4,939 |

## 5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Notes receivable | $ 1,196 | $ 884 |
| Prepaid insurance | 733 | 835 |
| Prepaid advertising | 914 | 858 |
| Prepaid expenses - other | 2,771 | 1,856 |
| Other | 1,319 | 1,003 |
| Total prepaid expenses and other current assets | $ 6,933 | $ 5,436 |

## 6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2021 and 2020:

| | Estimated Useful Life | 2021 | 2020 |
|---|---|---|---|
| Buildings and leasehold improvements | 5 - 30 years | $ 4,473 | $ 3,864 |
| Software- for internal use | 1 - 3 years | 4,085 | 2,428 |
| Software- to be sold | 3 - 5 years | 8,472 | 2,316 |
| Vehicles | 2 - 5 years | 12,715 | 8,706 |
| Office equipment and furniture | 2 - 5 years | 2,493 | 2,103 |
| Machinery, equipment and tools | 2 - 7 years | 835 | 395 |
| Land | | 143 | 143 |
| Software in development | | 18,392 | 9,793 |
| Total property and equipment | | 51,608 | 29,748 |
| Less: Accumulated depreciation and amortization | | (10,731) | (5,474) |
| Property and equipment, net | | $ 40,877 | $ 24,274 |

As of December 31, 2021, software in development consisted of software for internal use and to be sold of $1,376 and $17,016, respectively. As of December 31, 2020, software in development consisted of software for internal use and to be sold of $1,011 and $8,782, respectively.

Depreciation and amortization expense recognized in the consolidated statements of comprehensive loss was $5,846 and $4,015, for the years ended December 31, 2021 and 2020, respectively, of which, $1,441 and $0 for the years ended December 31, 2021 and 2020 related to software to be sold was included in franchise support expenses in the consolidated statement of comprehensive loss.

## 7. Other Long-Term Assets

Other long-term assets consisted of the following as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Indemnification asset | $ 402 | $ 1,462 |
| Cost to obtain contracts - commissions | 5,745 | 2,792 |
| Contract assets | 406 | 406 |
| Prepaid customer incentive payments | 1,449 | 1,433 |
| Notes receivable | 470 | 1,183 |
| Other | 843 | 1,311 |
| Total other long-term assets | $ 9,315 | $ 8,587 |

## 8. Intangible Assets and Goodwill

***Intangible Assets, Net***

Intangible assets consisted of the following as of December 31, 2021 and 2020:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Estimated Useful Life | Gross Amount | Accumulated Amortization | Net Amount | Weighted Average Remaining Useful Life |
| Trademarks | 15-25 years | $ 147,156 | $ 15,585 | $ 131,571 | 22.4 |
| Franchise relationships | 15 years | 328,618 | 64,002 | 264,616 | 12.2 |
| Software | 10 years | 7,500 | 2,000 | 5,500 | 7.3 |
| Customer relationships | 4-5 years | 40,827 | 4,493 | 36,334 | 3.2 |
| Proprietary processes | 10 years | 2,449 | 643 | 1,806 | 7.5 |
| Noncompetition agreements | 5 years | 641 | 207 | 434 | 3.7 |
| Intangible assets, net | | $ 527,191 | $ 86,930 | $ 440,261 | |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Estimated Useful Life | Gross Amount | Accumulated Amortization | Net Amount | Weighted Average Remaining Useful Life |
| Trademarks | 15-25 years | $ 143,416 | $ 9,691 | $ 133,725 | 23.4 |
| Franchise relationships | 15 years | 324,118 | 42,133 | 281,985 | 13.2 |
| Software | 10 years | 7,500 | 1,250 | 6,250 | 8.3 |
| Customer relationships | 4 years | 3,849 | 2,153 | 1,696 | 1.8 |
| Proprietary processes | 10 years | 2,449 | 398 | 2,051 | 8.5 |
| Noncompetition agreements | 5 years | 523 | 82 | 441 | 4.5 |
| Intangible assets, net | | $ 481,855 | $ 55,707 | $ 426,148 | |

Amortization expense was $31,223 and $28,144, for the years ended December 31, 2021 and 2020, respectively.

Estimated amortization expense for the subsequent five years and thereafter is as follows:

| | |
|---|---|
| 2022 | $ 36,275 |
| 2023 | 35,588 |
| 2024 | 35,543 |
| 2025 | 34,138 |
| 2026 | 33,129 |
| Thereafter | 265,588 |
| | $ 440,261 |

***Goodwill***

Changes in the net carrying amount of goodwill for the years ended December 31, 2021 and 2020 are as follows:

| | | |
|---|---|---|
| **Balance at December 31, 2019** | $ | 307,634 |
| Acquisition of Monster | | 29,067 |
| Acquisition of STOP | | 3,792 |
| Clockwork adjustment | | 1,515 |
| **Balance at December 31, 2020** | | 342,008 |
| DoodyCalls | | 7,761 |
| Monster adjustment | | (281) |
| STOP adjustment | | (49) |
| **Balance at December 31, 2021** | $ | 349,439 |

The adjustments to the purchase price allocation were made to reflect consideration true-ups in accordance with the sale and purchase agreement and to reflect incremental information made available after the purchase price allocation.

During the periods presented, the Company did not record any goodwill impairment charges.

## 9. Accrued and Other Liabilities

Accrued and other liabilities consisted of the following as of December 31, 2021 and 2020:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Employee expenses | $ | 9,569 | $ | 6,950 |
| Rebates | | 2,106 | | 1,309 |
| Accrued interest | | 2,727 | | 729 |
| Advertising | | 7,777 | | 6,443 |
| Capital expenditures | | 1,277 | | 1,107 |
| Capital lease obligations | | 1,796 | | 1,810 |
| Other | | 4,698 | | 3,067 |
| Total accrued and other liabilities | $ | 29,950 | $ | 21,415 |

## 10. Taxes

Income tax benefit consisted of the following as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| **Current** | | |
| Federal | $ - | $ - |
| State | 582 | 400 |
| | 582 | 400 |
| **Deferred** | | |
| Federal | (2,411) | (4,301) |
| State | (573) | (1,057) |
| | (2,984) | (5,358) |
| Income tax benefit | $ (2,402) | $ (4,958) |

Deferred income taxes consisted of the following as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| **Deferred tax assets** | | |
| Net operating losses and credits | $ 18,162 | $ 14,638 |
| Deferred revenue | 6,017 | 3,944 |
| Interest limitation | 3,056 | 2,202 |
| Lease obligation liability | 1,257 | 1,062 |
| Accrued expenses | 1,590 | 955 |
| Allowance for doubtful accounts | 466 | 471 |
| Gross deferred tax asset | 30,548 | 23,272 |
| **Deferred tax liabilities** | | |
| Intangibles | (46,975) | (43,610) |
| Goodwill | (16,131) | (10,113) |
| Property and equipment | (993) | (595) |
| Other | (19) | (19) |
| Gross deferred tax liability | (64,118) | (54,337) |
| Total deferred tax liability | $ (33,570) | $ (31,065) |

As of December 31, 2021 and 2020, the Company has net operating loss (“NOL”) carryforwards for U.S. federal tax purposes of $72,928 and $58,822, respectively. The federal NOL carryforwards have no expiration. As of December 31, 2021 and 2020, the Company has NOL carryforwards of approximately $58,501 and $50,274, respectively, for state income tax purposes. The state NOL carryforwards expire at various dates through 2041. As of December 31, 2021 and 2020, the Company has cumulative interest limitation carryforwards for U.S. federal tax purposes of $12,248 and $8,826, respectively.

The Company believes that it is more likely than not that the reversal of current deferred tax liabilities and the results of future operations will be sufficient to realize the deferred tax assets and has not recorded a valuation allowance as of December 31, 2021 and 2020.

Tax year 2018 and forward are open to examination by the Internal Revenue Service and various state tax authorities.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act is a stimulus bill that includes lending facilities to large and small business, expands unemployment benefits and implements individual and business tax changes. Furthermore, as permitted by the CARES Act, the Company elected to defer certain payments of employer share of social security tax that would otherwise be required to be paid during the period beginning on March 27, 2020 and ending December 31, 2020. The CARES Act allows employers to deposit 50% of the deferred taxes on or before December 31, 2021, and the remaining 50% by December 31, 2022. As of December 31, 2021, the Company has remaining deferred employer social security taxes of approximately $1,266, which is payable to the U.S. Treasury on or before December 31, 2022. The balance is reflected in accrued and other liabilities in the consolidated balance sheet.

As of December 31, 2021 and 2020, the Company recognized a liability for an uncertain tax position related to Mosquito Squad and its S-Corp election of $402 and $1,462, respectively, which includes potential interest and penalties. As of December 31, 2021 and 2020, potential interest was $38 and $142, respectively, and penalties were $61 and $220, respectively. This liability has been reflected in other long-term liabilities. An offsetting indemnification asset for $402 and $1,462 as of December 31, 2021 and 2020, respectively, has been recognized in other assets as a result of indemnifications provided in the stock purchase agreement between the Company and the seller of Mosquito Squad.

## 11. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Deferred revenue | $ 17,375 | $ 15,192 |
| Capital lease obligation | 3,372 | 2,969 |
| Uncertain tax position liability | 402 | 1,462 |
| Other | 442 | 294 |
| Total other long-term liabilities | $ 21,591 | $ 19,917 |

## 12. Long-Term Debt

Long-term debt consisted of the following as of December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| **2018 Credit Agreement** | | |
| Term loan | $ - | $ 319,966 |
| Revolving credit facility | - | 4,000 |
| Delayed draws | - | 56,455 |
| **Securitization** | | |
| Class A-1 Notes | 5,400 | - |
| Class A-2 Notes | 423,938 | - |
| Total debt | 429,338 | 380,421 |
| Less: Current portion | 4,250 | 4,130 |
| Less: Unamortized deferred loan costs | 10,815 | 9,716 |
| Long-term debt | $ 414,273 | $ 366,575 |

| | 2021 Original Principal | 2020 Original Principal | Rate | Maturity |
|---|---|---|---|---|
| **Term loan/Term note** | | | | |
| Credit agreement | $ - | $ 364,900 | 5.75% + LIBOR | 3/20/2025 |
| Class A-2 Notes | 425,000 | - | 3.734% | 7/30/2051 |
| **Other** | | | | |
| Delayed draws | $ - | $ 56,915 | 5.75% + LIBOR | 3/20/2025 |
| Revolving Credit Facility | - | 8,000 | 4.75% + LIBOR | 3/21/2025 |
| Class A-1 Notes | 10,400 | - | 2.625% + LIBOR | 7/30/2051 |

As of December 31, 2021 and 2020, interest rates were as follows:

| | 2021 | 2020 |
|---|---|---|
| Term loan | N/A | 6.75 % |
| Revolving credit facility | N/A | 8.00 % |
| Delayed draws | | |
| March 2020 | N/A | 6.75 % |
| September 2020 | N/A | 6.75 % |
| Class A-1 Notes | 2.728 % | N/A |
| Class A-2 Notes | 3.734 % | N/A |

Debt Issuance costs related to undrawn amounts from the Company's Class A-1 Notes and delayed draw facility were $779 and $612 as of December 31, 2021 and 2020, respectively, and included within other assets on the consolidated balance sheets. Other deferred financing costs related to debt of $10,815 and $9,716 as of December 31, 2021 and 2020, respectively, are netted in long term debt on the consolidated balance sheets. Amortization of $1,976 and $1,959 is included in interest expense on the consolidated statements of comprehensive loss for the years ended December 31, 2021 and 2020, respectively.

All outstanding debt has a final legal maturity of July 2051. The Company expects to make principal payments on the Class A-2 Notes of $4,250 in the next year and has such amount in the current portion of long-term debt as of December 31, 2021.

**Securitization**
On May 14, 2021 ("Closing Date"), the Issuer completed a financing transaction (the "Securitization Transaction") resulting in the issuance of the $5,000 in maximum principal amount Advance Funding Facility (the "Advance Funding Facility" or "AFF"), $50,000 in maximum principal amount of Series 2021-1 Variable Funding Senior Notes, Class A-1 (the "VFN" or the "Class A-1 Notes") and $425,000 of Series 2021-1 3.734% Fixed Rate Senior Secured Notes, Class A-2 (the "Term Notes" or "Class A-2 Notes") and, together with the Advance Funding Facility and VFN, (the "Series 2021-1 Notes"). As part of Securitization Transaction, the Company capitalized and deferred costs of $12,663, of which $11,863 were recorded as contra-liability to debt and $800 were recorded within other assets as they relate to undrawn amounts from the Company's Class A-1 Notes.

**Advance Funding Facility**
The Advance Funding Facility, which was undrawn as of December 31, 2021, provides for a maximum outstanding principal amount of $5,000. Under the provisions of the AFF, any outstanding advances under the AFF bear interest at a variable rate, Prime Rate + 3%, and the Issuer is obligated to pay a commitment fee related to undrawn amounts. The Company paid a commitment fee of $130, which is recognized in interest expense in the consolidated statements of comprehensive loss for the year ended December 31, 2021. Prime Rate means the rate of interest publicly announced from time to time by a commercial bank mutually agreed upon by the Manager and the Advance Funding Administrative Agent as its reference rate, base rate or prime rate. The AFF will terminate upon the earlier of the (i) the payment in full of all obligations relating to the Class A-2 Notes and (ii) payment in full of all interest on and principal of all AFF advances. The AFF is not a revolving facility and, accordingly, advances made and repaid are not permitted to be reborrowed.

**Class A-1 Notes**
The Class A-1 Notes provide for a maximum outstanding principal amount of $50,000. On the Closing Date, $10,400 was drawn in the form of advances and $5,076 in the form of letters of credit. Under the provisions of the Class A-1 Notes, any outstanding LIBOR borrowings bear interest quarterly at a variable rate of 2.625% plus LIBOR, and the Issuer is obligated to pay fees of 0.50% accrued daily and paid quarterly related to undrawn amounts and any outstanding letters of credit. The anticipated repayment date for the Class A-1 Notes is July 2026, subject to two one-year extensions upon the satisfaction of certain conditions. The final legal maturity date of the Class A-1 Notes is July 2051. There are no principal payments due on the Class A-1 Notes in the ordinary course, but the Class A-1 Notes will be subject to rapid amortization if not paid in full by the anticipated repayment date. On August 16, 2021 the Company repaid $5,000 of the advance resulting in $5,400 outstanding balance as of December 31, 2021.

**Class A-2 Notes**
The Class A-2 Notes were issued in the amount of $425,000. The Class A-2 Notes have an anticipated repayment date of July 2028 and a legal final maturity date of July 2051. Interest is due quarterly, with 3 months of interest and commitment fees on the Class A-2 Notes and Class A-1 Notes required to be on deposit at all times in an interest reserve account. Interest on the A-2 notes accrues at 3.734% per annum and is due and payable on a quarterly basis. Principal payments of 0.25% of the initial principal amount of the Class A-2 Notes is payable on a quarterly basis (unless a non-amortization test is satisfied, as defined in the agreement governing the Class A-2 Notes).

The Series 2021-1 Notes are collateralized by substantially all of the assets of Issuer and collateralized by substantially all of the assets of and guaranteed by the Guarantor. The Series 2021-1 Notes are not secured, collateralized or guaranteed by any entities other than the SPE entities as defined in Note 1. The net proceeds from the Securitization Transaction, after transaction expenses, were distributed by the Issuer to the Company to repay all of its previously outstanding term and revolving debt and to terminate all commitments thereunder.

**Letters of Credit**
The Company has two letters of credit outstanding in an aggregate face amount of $5,076 for interest reserve requirements required by the Securitization Transaction, which reflects 3 months of interest on the Class A-2 Note amount of $425,000, 3 months of interest and commitment fees on the Class A-1 Notes assuming an estimated usage of $25,000, and 12 months of interest on the pre-funding proceeds of $25,000 at the Class A-2 Notes interest rate of 3.734%.

**2018 Credit Agreement**
Through various amendments throughout 2018 and 2019, the Company obtained new financing participants, changes to certain covenants, increases in the credit facility available and changes related to audited financial statement requirements. In March 2020, the Company entered into an amendment to obtain funding of an additional term loan of $116,900 and a delayed draw of $34,287 (“March 2020 Amended Credit Agreement”). These drawn down funds were primarily used by the Company to fund the dividend of $62,451, including transaction costs of $446, to the Partnership and repay existing delayed draws of $46,000 and terms loans of $38,780, which were replaced with the new loans. The amendments also increased the revolving line of credit available to the Company by $5,000 to $29,000. In March 2020, the Company drew down $8,000 from the revolving line of credit and as of December 31, 2020, a principal amount of $4,000 was outstanding. As the amendment was treated as a debt modification for accounting purposes, the transaction costs incurred were capitalized.

In September 2020, the Company entered into an Amendment to the March 2020 Amended Credit Agreement (“September 2020 Amended Agreement”) which provided for the funding of an additional draw down of $22,628 from the Company’s Delayed Draw Term Commitment of $75,000, and was utilized for the Monster acquisition.

As part of the 2020 modifications to the debt agreement, the Company capitalized and deferred costs of $5,290.

Substantially all the assets of the Company collateralized the outstanding debt as of December 31, 2020.

Interest on all borrowings under the September 2020 Amended Agreement is at either the Eurocurrency Rate of 5.75% per annum or at the Base Rate of 4.75% per annum plus the Applicable Rate for each loan.

The September 2020 Amended Agreement provided for a Commitment Fee equal to 0.50% per annum on the actual daily amount by which the aggregate Revolving Credit Commitment exceeds the sum of (A) the Outstanding Amount of Revolving Credit Loans and (B) the Outstanding Amount of L/C Obligations. The Company also paid a quarterly Delayed Draw Commitment Fee in an amount equal to 1.00% per annum on the unfunded Delayed Draw Term Commitments. As of December 31, 2020, the unfunded Delayed Draw Term Commitment was $52,372.

The September 2020 Amended Agreement was repaid on May 14, 2021 with funds from the Securitization Transaction. The repayment was accounted for as an extinguishment of debt, which resulted in a write off of deferred finance cost in the amount of $9,715 and is presented as a loss on extinguishment of debt in the consolidated statements of comprehensive loss.

The Series 2021-1 Notes agreements require, among other things, maintenance by the Company of principal and interest debt service coverage ratios, debt to EBITDA ratios and debt to net cash flows of Securitized entities ratios. As of December 31, 2021, the Company was in compliance with these covenants.

2018 Credit Agreement as amended by March 2020 Amended Credit Agreement and September 2020 Amended Agreement required, among other things, maintenance by the Company of minimum levels of cash flow coverage, leverage to EBITDA ratios, and also limited capital expenditures. As of December 31, 2020, the Company was in compliance with these covenants.

## 13. Stockholder's Equity

As of December 31, 2021 and 2020, the Company had 1,000 shares of common stock issued, authorized and outstanding. The Company issued all 1,000 fully paid, nonassessable shares of the common stock at a par value of $0.001 per share, in exchange for aggregate subscription consideration of $1 US Dollar.

In accordance with the Certificate of Incorporation, the Company had a total of 1,000 shares of common stock to which it has the authority to issue with a par value of $0.001 per share.

During 2020, the Company paid a dividend from incremental funding provided by the Company's March 2020 Amended Credit Agreement (Note 12). The dividend was paid on March 13, 2020 in the amount of $62,005. No dividends were paid in 2021.

## 14. Stock Based Compensation

### Class B Profit Interest Units

The Plan provides participants with an opportunity to participate in the distribution of the future profits of the Company. The awards issued under the Plan are also referred to as Class B Profit Interest Units. One third of Class B Profit Interest Units vest over time and are conditioned upon the achievement of a set return on invested capital. Remaining awards vest as the Company achieves multiples of the invested capital and are conditioned upon occurrence of a change in control, Initial Public Offering ("IPO") or a qualified leverage recapitalization ("change in control events"). The Company had 60,277,036 Class B Profit Interest Units authorized for issuance under the Plan.

During the years ended December 31, 2021 and 2020 the Company determined that it is not probable that any of the change in control events will occur and, as such, compensation expenses related to the portion of the awards conditioned upon occurrence of these events has not been recognized in the consolidated financial statements as of and for the years ended December 31, 2021 and 2020.

The awards that are not conditioned upon occurrence of the change in control events and have a time-vesting component are earned in equal tranches upon each of the anniversaries over the period of five years which was determined to be the requisite service period. These awards will not vest until the return on invested capital condition is met even as the time-vesting condition is met. As of December 31, 2021 and 2020, no units were vested. The fair value of these awards was estimated on the grant date using the Monte Carlo simulation valuation model utilizing a vesting period of 5 years, equity volatility of 37.5%, risk-free rate of 1.62% and dividend yield of 0% for both 2021 and 2020 grants.

| | Weighted Average Fair Value | Class B Profit Interest Units | Weighted Average Remaining Contractual Term |
|---|---|---|---|
| **Units outstanding as of December 31, 2019** | | 45,694,919 | 3.97 years |
| Granted during 2020 | $ 0.36 | 9,077,879 | |
| Forfeited during 2020 | 0.24 | (180,120) | |
| **Units outstanding as of December 31, 2020** | | 54,592,678 | 3.19 years |
| Granted during 2021 | $ 0.80 | 3,649,828 | |
| Forfeited during 2021 | | - | |
| **Units outstanding as of December 31, 2021** | | 58,242,506 | 2.57 years |

Compensation expense related to Class B Profit Interest Units of $1,502 and $1,931 was recognized in stock compensation expense on the consolidated statements of comprehensive loss during the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Company had $1,669 and $2,447 of unrecognized stock-based compensation expense.

**Class A-2 Units Issued to Certain Executives**

The Partnership provided certain executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity, in accordance with the Contribution, Rollover and Subscription agreement. Under the terms of this agreement, the Company's executives were provided ownership interests in the Partnership in exchange for promissory notes.

These agreements are in substance, compensation arrangements and are accounted for as instruments similar to a stock option. Compensation expense is recognized at each balance sheet date with the changes in value recorded in the consolidated statements of comprehensive loss with the corresponding recognition of the noncash contribution from the Partnership in additional paid in capital in the consolidated balance sheet.

The Company elected to account for these awards using the intrinsic valuation technique which represents excess value of the employees' Class A-2 units that were exchanged for promissory notes over the exercise price (which represents the face value of the promissory notes plus accrued interest). 15,600,000 of A-2 units were granted on September 21, 2018 and the intrinsic value of these awards on the grant date was equal to the value of the award. There were no additional grants of these awards during 2020 or 2021. There were no forfeitures or exercises of these award during the years ended December 31, 2021 and 2020.

As part of the dividend to the Partnership, $0 and $1,340 related to the partial repayment of the promissory notes held by employees of the Company was recognized as compensation expense during the year ended December 31, 2021 and 2020, respectively.

As of December 31, 2021, these awards were fully vested and compensation expense of $25,301 and $4,175 was recognized in the consolidated statements of comprehensive loss during the years ended December 31, 2021 and 2020, respectively, which represents the change in the fair value of these awards as of December 31, 2021 and 2020, respectively.

## 15. Leases

The Company leases office and retail space for its corporate employees and retail operations. Rent expense is recognized on a straight-line basis over the terms of the leases. Future minimum rental payments under all operating leases with initial or remaining noncancelable terms in excess of one year as of December 31, 2021 are as follows:

| | Capital Leases | Operating Leases |
|---|---|---|
| 2022 | $ 1,726 | $ 3,008 |
| 2023 | 1,477 | 2,461 |
| 2024 | 1,243 | 1,923 |
| 2025 | 768 | 1,482 |
| 2026 | 195 | 1,411 |
| Thereafter | - | 3,612 |
| Total minimum lease payments | 5,409 | $ 13,897 |
| Less: Amount representing interest | 241 | |
| Present value of net minimum lease payments | 5,168 | |
| Less: Current portion | 1,796 | |
| Capital lease obligations, less current portion | $ 3,372 | |

Rent expense was $3,070 and $2,791, for the years ended December 31, 2021 and 2020, respectively.

Minimum capital lease payments are accounted for as principal and interest payments. Interest expense for all capital leases was $80 and $147 for the years ended December 31, 2021 and 2020, respectively.

## 16. Related Parties

The Company has several agreements in place with related parties through common ownership by the Partnership, in the ordinary course of business as follows:

- Paycor, a HR and payroll solutions company, provided payroll support services to the Company for the years ended December 31, 2021 and 2020.
- Assured Partners, a national partnership of financial services firms, provided insurance and employee benefits services to the Company for the years ended December 31, 2021 and 2020.
- Thoughtworks, a software development and digital transformation company, provided software solutions to the Company for the years ended December 31, 2021 and 2020.

Board fees were paid to stockholders who provided services through membership on the Company board.

The Company also employs twenty-seven and eighteen individuals, as of December 31, 2021 and 2020, respectively, who own and operate franchises of wholly owned subsidiary businesses. The Company recorded revenue and the corresponding accounts receivable related to these arrangements for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the Company paid rent expenses of $56 and $54, respectively, for a property owned by an employee and there were no corresponding accounts payable related to these arrangements.

Related party transactions consisted of the following:

| | Transaction | 2021 | 2020 |
|---|---|---|---|
| **Related parties through common ownership** | | | |
| Paycor | Expenses paid | $ 223 | $ 205 |
| Assured partners | Expenses paid | 125 | 239 |
| Thoughtworks | Expenses paid | 7,675 | 8,096 |
| **Stockholders** | | | |
| Board members | Board fees | $ 214 | $ 190 |
| **Transactions with employees** | | | |
| Revenue | | $ 4,028 | $ 2,936 |
| Accounts receivable | | 103 | 72 |
| Expenses paid | | 56 | 54 |

## 17. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in ASC Topic 450, Contingencies. Accordingly, no liabilities have been recorded for such matters as of December 31, 2021 and 2020. Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

## 18. Employee Benefit Plans

The Company sponsors a 401 (k) plan covering the majority of its employees meeting certain eligibility requirements. The Plan provides for matching contributions of 100% of employee contributions, up to 4% of the participating employee's contributions. The Company's contributions to the Plan totaled $1,653 and $1,080 for the years ended December 31, 2021 and 2020, respectively.

**EXHIBIT J**

**LIST OF STATE AGENCIES /**
**AGENTS FOR SERVICE OF PROCESS**

## LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

| | |
|---|---|
| **CALIFORNIA**<br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500<br>Toll Free: (866) 275-2677 | **NEW YORK**<br>NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21st Fl<br>New York, NY 10005<br>(212) 416-8222 |
| **HAWAII**<br>Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **NORTH DAKOTA**<br>North Dakota Securities Department<br>State Capitol<br>Department 414<br>600 East Boulevard Avenue, Fourteenth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712 |
| **ILLINOIS**<br>Illinois Office of the Attorney General<br>Franchise Bureau<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465 | **RHODE ISLAND**<br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| **INDIANA**<br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681 | **SOUTH DAKOTA**<br>Division of Insurance<br>Securities Regulation<br>124 South Euclid Avenue, 2nd Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563 |
| **MARYLAND**<br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360 | **VIRGINIA**<br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051 |
| **MICHIGAN**<br>Michigan Attorney General's Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1st Floor<br>Lansing, Michigan 48913<br>(517) 335-7567 | **WASHINGTON**<br>Department of Financial Institutions<br>Securities Division – 3rd Floor<br>150 Israel Road, Southwest<br>Tumwater, Washington 98501<br>(360) 902-8760 |
| **MINNESOTA**<br>Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600 | **WISCONSIN**<br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139 |

## AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

| | |
|---|---|
| **CALIFORNIA**<br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500<br>Toll Free: (866) 275-2677 | **NEW YORK**<br>New York Secretary of State<br>One Commerce Plaza<br>99 Washington Avenue<br>Albany, NY 12231<br>(518) 473-2492 |
| **HAWAII**<br>Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | **NORTH DAKOTA**<br>North Dakota Securities Commissioner<br>State Capitol<br>Department 414<br>600 East Boulevard Avenue, Fourteenth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712 |
| **ILLINOIS**<br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465 | **RHODE ISLAND**<br>Director of Department of Business Regulation<br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| **INDIANA**<br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681 | **SOUTH DAKOTA**<br>Division of Insurance<br>Director of the Securities Regulation<br>124 South Euclid Avenue, 2nd Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563 |
| **MARYLAND**<br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360 | **VIRGINIA**<br>Clerk of the State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, Virginia 23219<br>(804) 371-9733 |
| **MICHIGAN**<br>Michigan Attorney General's Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1st Floor<br>Lansing, Michigan 48913<br>(517) 335-7567 | **WASHINGTON**<br>Director of Department of Financial Institutions<br>Securities Division – 3rd Floor<br>150 Israel Road, Southwest<br>Tumwater, Washington 98501<br>(360) 902-8760 |
| **MINNESOTA**<br>Commissioner of Commerce<br>Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600 | **WISCONSIN**<br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139 |

# EXHIBIT K

## STATE-SPECIFIC ADDENDA
## TO THE DISCLOSURE DOCUMENT AND THE AGREEMENTS

## .INFORMATION REQUIRED BY THE STATE OF HAWAII

**THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

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

**THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT (QUESTIONNAIRE TO BE COMPLETED BEFORE EXECUTING FRANCHISE AGREEMENT) IS NOT APPLICABLE IN HAWAII. NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGMENT SIGNED OR AGREED TO BY A FRANCHISEE IN CONNECTION WITH THE COMMENCEMENT OF THE FRANCHISE RELATIONSHIP SHALL HAVE THE EFFECT OF (I) WAIVING ANY CLAIMS UNDER ANY APPLICABLE STATE FRANCHISE LAW, INCLUDING FRAUD IN THE INDUCEMENT, OR (II) DISCLAIMING RELIANCE ON ANY STATEMENT MADE BY ANY FRANCHISOR, FRANCHISE SELLER, OR OTHER PERSON ACTING ON BEHALF OF THE FRANCHISOR. THIS PROVISION SUPERSEDES ANY OTHER TERM OF ANY DOCUMENT EXECUTED IN CONNECTION WITH THE FRANCHISE.

Registered agent in the state authorized to receive service of process: **Commissioner of Securities of the State of Hawaii, Department of Commerce & Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813**

## INFORMATION REQUIRED BY THE STATE OF ILLINOIS

**Cover Page, Additional Disclosures.**

THE GOVERNING LAW, VENUE AND JURISDICTION REQUIREMENTS IN THE DISCLOSURE DOCUMENT AND THE FRANCHISE AGREEMENTARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.

**Item 17, Additional Disclosures.**

The conditions under which the Franchise Agreement can be terminated and your rights upon non-renewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Pursuant to Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement that designates jurisdiction or venue for litigation in a forum outside of Illinois is void.

The Illinois Franchise Regulations, Section 200.608, require that Illinois law govern franchise agreements entered into in Illinois.

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Illinois. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in Illinois and is intended to comply with Illinois statutes and regulations. The parties agree to modify the Franchise Agreement as follows:

1. Key Accounts. Section 2.5 is amended by adding the following:

   A National Account customer is a customer responsible for a business in more than one location. The franchisor has the exclusive right to negotiate and enter into agreements to provide services to National Account customers. You may be offered the opportunity to service a National Account. If you decline or are unable to service the account, the franchisor, an affiliate or another franchisee may provide the service with no compensation to you (even if the service is provided within your territory).

2. Termination. Section 16 is amended by adding the following:

   If anything in this Section concerning termination is inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then the Act shall apply.

3. Renewal. Section 19 is amended by adding the following:

   If anything in this Section concerning non-renewal is inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, then the Act shall apply.

4. Governing Law. Section 23.1 is deleted. The Illinois Franchise Regulations, Section 200.608, require that Illinois law govern franchise agreements entered into in Illinois.

5. Venue for Litigation. Section 23.6 is amended by adding the following:

   Section 4 of the Act states that any provision in a franchise agreement that designates jurisdiction or venue for litigation in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

6. Time Limit on Filing. Section 23.5 is amended by adding the following:

   Any claims arising under the Act shall be commenced within the period of limitation established in Section 27 of the Act.

7. Section 41 of the Illinois Franchise Disclosure Act of 1987 states that any condition, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of the Act or any other law of Illinois is void. Section 41 will control over any inconsistent provisions in the Franchise Agreement.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

9. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

| | |
|---|---|
| **THE CLEANING AUTHORITY FRANCHISING SPE LLC** | **FRANCHISEE (Print name of company):** |
| | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**INDIANA ADDENDUM TO THE FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in Indiana and is intended to comply with the Indiana statutes and regulations. The parties agree to supplement the Franchise Agreement as follows:

1. Pursuant to Section 23.2-2.7-1 of the Indiana Code, it is unlawful for any franchise agreement entered into between any franchisor and a franchisee who is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana to contain any of the following provisions:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by this chapter or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subdivision does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subdivision.

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subdivision includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any:

(A) advertising campaign or contest;

(B) promotional campaign;

(C) promotional materials; or

(D) display decorations or materials;

at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

2. If the Franchise Agreement contains a provision that is inconsistent with the Indiana Code, the provisions of the Indiana Code will supersede the Franchise Agreement.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and Franchisor satisfy all of the jurisdictional requirements of the Indiana Code, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

| | |
|---|---|
| **THE CLEANING AUTHORITY FRANCHISING SPE LLC** | **FRANCHISEE (Print name of company):** |
| | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**INFORMATION REQUIRED**
**BY THE STATE OF MARYLAND**

**Item 5 , Additional Disclosures.**

Based on the financial condition of our guarantor, AB Assetco LLC, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

**Item 17, Additional Disclosures.**

The Franchise Agreement requires you to sign a general release as a condition of renewal or transfer of the franchise. This releases will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

**Item 22, Additional Disclosure.**

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Maryland. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

In recognition of the Maryland Franchise Registration and Disclosure Law, Maryland Stat. §§ 14-201 to 14-233, and the Rules and Regulations promulgated thereunder, the parties agree to modify the Franchise Agreement as follows:

1. Franchise Fee. Section 7.1 is amended by adding the following:

   Based on the financial condition of franchisor's guarantor, AB Assetco LLC, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisee shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement.

2. Releases. Section 15.2.4 and Section 19.1.7 are each amended to add the following:

   This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Entire Agreement. Section 22.12 is amended by adding the following:

   Notwithstanding anything to the contrary in this Agreement, you are not required to waive any of your rights under the Maryland Franchise Registration and Disclosure Law with regard to our prior representations.

4. Time Limit on Filing. Section 23.5 is amended by adding the following:

   The foregoing limitation on the period of time arbitration and/or litigation claims must be brought shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

*[Signatures on Following Page]*

**THE CLEANING AUTHORITY FRANCHISING SPE LLC**

By: _____

Name: _____

Title: _____

Date: _____

**FRANCHISEE (Print name of company):**

_____

By: _____

Name: _____

Title: _____

Date: _____

## INFORMATION REQUIRED BY THE STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGMENT SIGNED OR AGREED TO BY A FRANCHISEE IN CONNECTION WITH THE COMMENCEMENT OF THE FRANCHISE RELATIONSHIP SHALL HAVE THE EFFECT OF (I) WAIVING ANY CLAIMS UNDER ANY APPLICABLE STATE FRANCHISE LAW, INCLUDING FRAUD IN THE INDUCEMENT, OR (II) DISCLAIMING RELIANCE ON ANY STATEMENT MADE BY ANY FRANCHISOR, FRANCHISE SELLER, OR OTHER PERSON ACTING ON BEHALF OF THE FRANCHISOR. THIS PROVISION SUPERSEDES ANY OTHER TERM OF ANY DOCUMENT EXECUTED IN CONNECTION WITH THE FRANCHISE.

THE FACT THAT THERE IS A NOTICE OF THIS DISCLOSURE ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

*** NOTE: NOTWITHSTANDING PARAGRAPH (f) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (f) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS.**

## INFORMATION REQUIRED BY THE STATE OF MINNESOTA

**Item 13, Additional Disclosure.**

We will indemnify you against liability to a third party resulting from claims that your use of the Marks infringes trademark rights of the third party, provided that your use of the Marks is in accordance with the requirements of the Franchise Agreement and the System.

**Item 17, Additional Disclosures.**

We will comply with Minnesota Statutes Section 80C.14, subdivisions 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

Minnesota Statutes § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring you to waive your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes §§ 80C.01 - 80C.22.

Minnesota Rule 2860.4400J prohibits us from requiring you to waive your rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes. This rule does not bar a voluntary arbitration of any matter.

**Item 22, Additional Disclosures.**

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Minnesota. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

In recognition of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01-80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, the parties agree to modify the Franchise Agreement as follows:

1. Releases. The following sentence is added to Section 15.2 and Section 19.1.7:

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

2. Term and Successor Franchise Agreement; Default and Termination. Sections 3, 16, and 19 are each amended by adding the following:

Notwithstanding anything to the contrary in Sections 3, 16, and 19, Franchisor will comply with Minnesota Statutes Clause 80C.14, Subdivision 3, 4, and 5, which require, except in certain cases, that Minnesota franchisees be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

3. Licensed Marks and Copyrights. Section 11 is amended by adding the following:

Franchisor will indemnify you against liability to a third party resulting from claims that your use of the Marks or the Works infringes trademark rights of the third party, provided that your use is in accordance with the requirements of the Franchise Agreement and the System.

4. Time Limit on Filing. Section 23.5 is amended to add the following:

Notwithstanding anything to the contrary in this Section, any claim or action arising out of or relating to the Minnesota Franchises Law must be commenced within three (3) years from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.

5. Jurisdiction and Venue. Section 23.6 is amended to add the following:

Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota. Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota.

6. Entire Agreement. Section 22 is amended by adding the following:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rule Part 2860.4400J, nothing in the Agreement shall in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and Franchisor satisfy all of the jurisdictional requirements of Minnesota Statutes §§ 80C.01 - 80C.22. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

| | |
|---|---|
| **THE CLEANING AUTHORITY FRANCHISING SPE LLC** | **FRANCHISEE (Print name of company):** |
| | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

## INFORMATION REQUIRED BY THE STATE OF NEW YORK

**Cover page, Additional Disclosures.**

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT J OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.**

**FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.**

**Item 3, Additional Disclosures.**

Other than as disclosed in Item 3, neither Franchisor nor any person listed in Item 2:

1. Has any administrative, criminal or material civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. There are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of Franchisor franchises and the size, nature or financial condition of the System or its business operations.

2. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the date of this disclosure document, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

3. Is subject to a currently effective injunctive or restrictive order or decree relating to the Franchisor franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934) suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

**Item 4, Additional Disclosure.**

Except as described in this Item, neither Franchisor, its affiliates, its predecessors, officers, nor general partners, during the ten-year period immediately before the date of the disclosure document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy laws; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy laws; or (c) was a principal officer of a company or general partner of a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy laws, or that obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy laws during or within one year after the officer or general partner of Franchisor held this position in the company or partnership.

**Item 5, Additional Disclosure.**

We use the initial franchise fee to defray our costs of offering franchises and assisting franchisees to start business. A portion of the initial franchise fee may be profit to us.

**Item 17, Revised Disclosures.**

1. *In the Item 17 Table, the following sentence is added to item "d":*

   You may also terminate the Franchise Agreement on any grounds available by law.

2. *In the Item 17 Table, the following sentence is added to item "j":*

   However, no assignment will be made by Franchisor except to an assignee who, in Franchisor's good faith judgment, is willing and able to assume Franchisor's obligations under the Franchise Agreement.

3. *In the Item 17 Table, the following sentence is added to item "w":*

   The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33.

**Item 17, Additional Disclosures.**

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Franchise Agreement inconsistent with that law.

You must sign a general release when you renew or transfer a franchise. This provision may not be enforceable under New York law.

**Item 22, Additional Disclosures.**

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in New York. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made

by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

**NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties agree to modify the Franchise Agreement as follows:

1. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695 may not be enforceable.

2. Releases. Section 15.2.4 and Section 19.1.7 are each amended to add the following:

   The foregoing release of claims against Franchisor does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

3. Assignment by Franchisor. Section 15 is amended by adding the following:

   Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement.

4. Termination by Franchisee. Section 16 is amended by adding the following:

   You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. Governing Law. Section 23.1 is amended by adding the following:

   Notwithstanding the foregoing, the New York General Business Law shall govern any claim arising under that law.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of New York General Business Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

*[Signatures on Following Page]*

**THE CLEANING AUTHORITY FRANCHISING SPE LLC**

By: _____

Name: _____

Title: _____

Date: _____

**FRANCHISEE (Print name of company):**

_____

By: _____

Name: _____

Title: _____

Date: _____

## INFORMATION REQUIRED
## BY THE STATE OF NORTH DAKOTA

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

I. Limitation of Claims: Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

J. Enforcement of Agreement: Requiring that North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Exhibit E to the Franchise Disclosure Document (Questionnaire to be Completed Before Executing Franchise Agreement) is not applicable in North Dakota. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Each provision of the Additional Disclosures shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independent of the Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

**NORTH DAKOTA ADDENDUM TO**
**FRANCHISE AGREEMENT**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, and the policies of the North Dakota Securities Commission, the parties agree to modify the Franchise Agreement as follows:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

I. Limitation of Claims: Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

J. Enforcement of Agreement: Requiring that North Dakota franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independently of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

| | |
|---|---|
| **THE CLEANING AUTHORITY FRANCHISING SPE LLC** | **FRANCHISEE (Print name of company):** |
| | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**RHODE ISLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

In recognition of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree to modify the Franchise Agreement as follows:

1. Governing Law. Section 23.1 is amended by adding the following:

   Notwithstanding the foregoing, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act.

2. Jurisdiction and Venue. Section 23.6 is amended by adding the following:

   Notwithstanding the foregoing, you have the right to file any litigation under the Rhode Island Franchise Investment Act in Rhode Island.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and Franchisor satisfy all of the jurisdictional requirements of the Rhode Island Franchise Investment Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

| | |
|---|---|
| **THE CLEANING AUTHORITY FRANCHISING SPE LLC** | **FRANCHISEE (Print name of company):** |
| | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**INFORMATION REQUIRED**
**BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia is amended to add the following:

> According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.
>
> According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

**Item 22, Additional Disclosures.**

> Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Virginia. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**INFORMATION REQUIRED**
**BY THE STATE OF WASHINGTON**

In recognition of the restrictions contained in the Washington Franchise Investment Protection Act, the Franchise Disclosure Document for use in the State of Washington is amended to add the following:

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In the event of a conflict of laws between the Washington Franchise Investment Protection Act and the law chosen in the Franchise Agreement, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Washington. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT**

In recognition of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the parties agree to modify the Franchise Agreement as follows:

1. The state of Washington has a statute, the Washington Franchise Investment Protection Act (the "Act"), Section 19.100.180 of which may supersede this Agreement in your relationship with us, including in the areas of termination and renewal of your franchise. There also may be court decisions that may supersede this Agreement in your relationship with us, including in the areas of termination and renewal of your franchise.

2. In the event of a conflict of laws, the provisions of the Act shall prevail.

3. You may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.

4. A release or waiver of rights executed by you may not include rights under the Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of yours, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of yours under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits us from restricting, restraining, or prohibiting you from (i) soliciting or hiring any employee of a franchisee of ours or (ii) soliciting or hiring any employee of ours. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

8. Securities offering fees shall be limited to our reasonable costs and expenses in reviewing your security offering documents.

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise

10. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

10. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified in full force and effect.

11. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

**THE CLEANING AUTHORITY FRANCHISING SPE LLC**

By: _____

Name: _____

Title: _____

Date: _____

**FRANCHISEE (Print name of company):**

_____

By: _____

Name: _____

Title: _____

Date: _____

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This disclosure document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| STATE | EFFECTIVE DATE |
|---|---|
| Hawaii | Pending |
| Illinois | Pending |
| Indiana | Pending |
| Maryland | Pending |
| Michigan | Pending |
| Minnesota | Pending |
| New York | Pending |
| North Dakota | Pending |
| Rhode Island | Pending |
| South Dakota | Pending |
| Virginia | Pending |
| Washington | Pending |
| Wisconsin | Pending |

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

**RECEIPT**
**(Retain This Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. **New York** requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship. **Michigan** requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. **Iowa** requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit J.

Issuance Date: April 28, 2023

The franchisor is The Cleaning Authority Franchising SPE LLC, located at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 and telephone number (410) 740-1900. The franchise sellers are Leanne Stapf, Katie Dills, Heather McLeod, Jordan Wilson, Colt Florence, Joshua Minturn, Rachel Poulin, Caitlyn Smith, Beth Williams and Karen Riker at the above address. Any other franchise sellers will be provided to you separately before you sign a franchise agreement: _____

We authorize the respective state agencies identified on Exhibit J to receive service of process for it in the particular state.

I have received a disclosure document dated April 28, 2023 that included the following Exhibits:

| | |
|---|---|
| A. Franchise Agreement (including multiple attachments) | F. Franchisees as of December 31, 2022 |
| B. Promissory Note, Guaranty and Security Agreement | G. Franchisees Who Exited a Franchise in 2022 |
| C. Renewal Addendum | H. Operations Manual Table of Contents |
| D. Sample of General Release | I. Financial Statements |
| E. Questionnaire | J. List of State Administrators and Agents for Service of Process |
| | K. State Addenda/State Franchise Agreement Amendments |

_____ _____

Date Received Signature of Prospective Franchisee

_____

Name (please print)

**RECEIPT**
**(Our Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. **New York** requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship. **Michigan** requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. **Iowa** requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit J.

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_____

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_____ _____

Date Received Signature of Prospective Franchisee

_____

Name (please print)