FRANCHISE DISCLOSURE DOCUMENT

ZEROREZ FRANCHISING SYSTEMS, INC.

A Delaware Corporation

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The ZEROREZ franchisee will operate a business that will provide complete residential carpet, tile, fabric and living surfaces cleaning services, including upholstery, fabrics, hard surfaces floors, and potentially air duct cleaning, air filters, or other services as determined by Zerorez.

The total investment necessary to begin operation of a ZEROREZ Franchise is between $218,718 and $410,698. This includes $16,500 to $31,500 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Chantelle Lawrence at 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003, by phone at (801) 376-3000 or by email at clawrence@zerorez.com.

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

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

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

Issuance date: March 31, 2026

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C 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 Zerorez 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 Zerorez franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

2. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

3. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

MICHIGAN STATE COVER PAGE
ZEROREZ FRANCHISING SYSTEMS, INC.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

1. A prohibition on the right of a franchisee to join an association of franchisees.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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 (3).

9. 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.

If our most recent financial statements are unaudited and show a net worth of less than $100,000.00, you may request that we arrange for the escrow of initial investment and other funds you paid until our pre-opening obligations to provide real estate, improvements, equipment, inventory, training, or other items including in the franchise offering are fulfilled. At our option, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to the State of Michigan Consumer Protection Division, Attn: Franchise Bureau at 525 West Ottawa Street, G. Mennen Williams Building, 7th Floor, Lansing MI 48933 or by telephone at (517) 373-7117.

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

The Franchisor is ZEROREZ Franchising Systems, Inc., a Delaware corporation. Zerorez Franchising Systems, Inc. was organized on February 26, 2001 under the laws of the state of Nevada, and on August 16, 2022, pursuant to a sale and reorganization, the state of incorporation was changed to Delaware. We do business under the name "ZEROREZ Franchising Systems." Our principal business address is 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003. Our agent for service of process authorized to receive service of process, in Delaware, our state of incorporation, is Universal Registered Agents, Inc., 300 Creek View Road, Suite 209, Newark, New Castle, Delaware 19711. Please see Exhibit A to this franchise disclosure document for a list of the names and addresses of our agents for service of process in various other states. We have offered and sold franchises since 2003.. We offered regional developer franchises from 2013 to 2020 but no longer do so and no regional developers will provide services to any franchisees on our behalf. We operated under the name Aqua Care, Inc. until 2002; but we did not sell franchises under this name. We have not offered franchises in any other line of business.

To simplify the language in this franchise disclosure document ("**Disclosure Document**"), the terms "**we**," "**us**," "**our**," "**the Company**," "**ZEROREZ**" or "**Franchisor**," refer to ZEROREZ Franchising Systems, Inc. We will refer to the entity that buys the franchise as "**you**" or "**franchisee**" throughout this Disclosure Document. Your ZEROREZ franchise business is sometimes referred to in this Disclosure Document as the "**Franchised Business**." If you are a corporation, a limited liability company or a partnership, certain provisions of the franchise agreement (the "**Franchise Agreement**") will also apply to the stockholders, members, and partners of that entity, and will be noted. The term "**System**" as used in this Disclosure Document and the Franchise Agreement means our marks together with our methods of operation and management, standards, specifications, confidential information, procedures, record keeping techniques, materials and operating manuals, any or all of which we may modify, improve, delete from and/or add to the System.

On August 15, 2022, in connection with the acquisition of ZEROREZ by Zerorez, Inc., ZEROREZ was converted from a Nevada corporation to a Delaware corporation. Zerorez, Inc., a Delaware corporation whose principal address is 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003 is our parent.

Z Intellectual Property Holding Company, LLC, a Utah limited liability company ("**ZIP**") is a wholly-owned subsidiary. Its principal business address is 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003. In January 2017, we assigned the trademarks, patents, system, manuals and other intellectual property necessary to operate a Franchise Business (collectively, the "**Franchise IP**") to ZIP. ZIP licenses the Franchise IP to us pursuant to an exclusive license agreement dated January 1, 2017. The license agreement is of perpetual duration, subject to our compliance with the terms of such agreement.

We have no other business activities except as outlined above. Neither we nor any of our affiliates have offered franchises in other lines of business. We conduct business of the type being franchised through our affiliates but do not directly operate any such business. We also rely on the past and present extensive experience of our staff in related activities, in setting up

the franchise offered pursuant to this Disclosure Document. Except as outlined above, we have no parent, predecessor or affiliated entities required to be disclosed under this Item.

The ZEROREZ Franchise

ZEROREZ is in the business of providing carpet, tile, fabric care, living surfaces, and restorative cleaning services, including upholstery, fabrics, hard surfaces floors, and optionally air duct cleaning, air filters, wood floor cleaning, limited restoration, other services as determined by Zerorez (the "**Services**") and related products under the ZEROREZ name and our trademarks and service marks ("**Marks**"), providing access to equipment and supplies related to those Services and licensing franchisees to operate a ZEROREZ Franchise in a particular geographic area. Franchises granted under this Disclosure Document receive the exclusive right to provide the Services to residential customers which means any individual who contracts for Services to be performed at a residential dwelling unit used primarily as a personal residence, where the customer is acting in a personal (non-commercial) capacity ("**Residential Customers**") within a designated geographical territory to be clearly described and set forth in your franchise agreement (the "**Operating Territory**") but do not receive exclusive rights to provide services to commercial customers, even within the Operating Territory ("**Residential Franchises**"). Residential Customers do not include any customer who lives at a property for which the landlord, property manager, or similar party has entered into a commercial agreement with us or with another Zerorez commercial franchisee to receive the Services. "**Commercial Customers**" include all businesses and other customers and accounts that are not Residential Customers.

As of the date of this Disclosure Document, we do not offer franchises for the right to service Commercial Customers, but if we, or an affiliate, later offer franchises using the Marks or any other marks offering the right to provide services to Commercial Customers ("**Commercial Franchise**"), you may be required to stop servicing any Commercial Customers to whom you have provided services previously, provided that if you have developed our designated minimum commercial business prior to such offering (as set forth in Item 12), you will have a right of first refusal to obtain a Commercial Franchise once we begin offering such franchises.

Each ZEROREZ franchisee must be organized as either a corporation, limited liability company, or other business entity prior to executing a franchise agreement and commencing operations as a ZEROREZ franchise. Each ZEROREZ Franchise must offer our designated Services related to carpet, tile, upholstery, and rugs to households using methods and techniques specified by us. We will allow you to offer optional services such as wood floor cleaning and restoration, air duct cleaning, and other optional services that we may approve from time to time, so long as you follow the guidelines we prescribe for such optional services. As further described in Item 12, you may also have limited rights to provide services to Commercial Customers. The Services are provided using the proprietary ZEROREZ technology and equipment, contained in a cargo van as further specified in our confidential brand standards manuals (the, or our "**Manuals**" further defined in Item 11) bearing our distinctive colors and marks (the, or your "**Mobile Unit**"). ZEROREZ franchisees also offer various products and cleaning supplies specified by us for sale to the public. The market for these products and Services is well developed and encompasses any household with floor care needs in your Operating Territory.

If you become a ZEROREZ franchisee, you must compete with a large number of already established locally owned, regional or national floor care businesses, many of which have been in business for a significant period of time. You should investigate your local market for

businesses operating under such categories as “Carpet and Upholstery Cleaners” and “Tile and Stone Care” to determine the number of competitors in your area. You can anticipate that, because of the number of competitors likely to be in your area of interest, consumers are likely to be very cost conscious.

A ZEROREZ Franchise is subject to numerous laws and governmental regulations that apply to businesses generally. In addition, certain areas of the country may have health and environmental regulations related to the handling and disposal of waste that may affect how you operate your ZEROREZ Franchise. Local water pollution control ordinances may also apply. Before you purchase a ZEROREZ Franchise, you should investigate the existence of those regulations in your area.

ITEM 2. BUSINESS EXPERIENCE

BOARD MEMBER: Tanner Ainge

Mr. Ainge has served on our Board of Directors since August 2022. Since March 2021, Mr. Ainge has been the Founder & Chief Executive Officer of Banner Capital Management, LLC, a private equity firm in Lehi, Utah.

BOARD MEMBER: Tyler Price

Mr. Price has served on our Board of Directors since August 2022. Since March 2021, Mr. Price has been a Managing Director at Banner Capital Management, LLC, a private equity firm in Lehi, Utah. From June 2019 to May 2021, Mr. Price led corporate development for Lucid Software, Inc., a privately-held, visual collaboration software-as-a-service business, in South Jordan, Utah.

CHIEF EXECUTIVE OFFICER and BOARD MEMBER: Shawn D. Moon

Mr. Moon is our Chief Executive Officer, a position he has held since September 2017. Mr. Moon has also been a member of the Board of Directors since 2014.

PRESIDENT AND CHIEF FINANCIAL OFFICER: Jon Laudie

Jon Laudie has been our President since March 2025 and our CFO since July 2022. As the President and CFO, he oversees the operations, accounting and finance functions of the company and participates in developing corporate strategy. Prior to joining ZEROREZ, Mr. Laudie was the Vice President of Finance at 1-800 Contacts in Draper, Utah from July 2020 to July 2022. He was also Sr. Director of Finance at Lucid Software in South Jordan, Utah from September 2018 to July 2020.

CHIEF OPERATING OFFICER: Benjamin Oyler

Mr. Oyler has been our Chief Operating Officer since February of 2025. From August 2021 until September of 2024 Mr. Oyler was the Co-Founder and Chief Operating Officer of Nectar Life Sciences in New York, New York providing allergy testing and treatments. From January 2020 until March of 2022, Mr. Oyler served as the Chief Global Operating Officer of Helio Genomics in Irvine, California delivering blood-based testing for early cancer detection.

CHIEF BRAND OFFICER: Bill De Groot

Mr. De Groot has been our Chief Brand Officer since March 2026 and is responsible for planning and operating Zerorez's brand strategy. Mr. De Groot was previously our Chief Marketing Officer from March 2023 to March 2026. Mr. De Groot was our Senior Vice President of Marketing and Customer Experience from November 2022 to March 2023. Mr. De Groot served as the General Manager of Canada at Ancestry from August 2018 to July 2021, and as Chief Marketing Officer of Parent Lab, Inc. from July 2021 to June 2022.

VICE PRESIDENT OF FRANCHISE COACHING: Rochelle Weathers

Ms. Weathers has been our VP of Franchise Coaching since June 2024 and prior to that was a Regional Vice President of Corporate Stores from June 2023 to May 2024. Ms. Weathers was also our Vice President of Corporate Stores from July 2021 to May 2023. Ms. Weathers was also our Director of Franchise Operations from September 2016 to June 2021.

DIRECTOR OF FRANCHISE SALES: Chantelle Lawrence

Mrs. Lawrence has been our Director of Franchise Sales since October 2024 and was our Franchise Sales Developer since October 2022. She was the owner and operator at The Box Gym in Lindon, UT from February 2015 through October 2024.

ITEM 3. LITIGATION

On December 8, 2011, we entered into a Consent Order with the Commissioner of Commerce for the State of Minnesota in *In the Matter of Zerorez Franchising Systems, Inc. a Nevada Corporation*, File No. FR1100265. The Commissioner alleged that we violated the Minnesota Statute §80C by failing to register in Minnesota before making sales to one franchisee. We accepted the order to cease and desist from selling franchises in the State of Minnesota until we were registered to do so, to offer rescission to our Minnesota franchisee, and to pay a penalty of $1,000 for the alleged violation.

Zerorez Franchising Systems, Inc. v. Hall, Case No.: 01-24-0004-4421, filed on April 12, 2024, in the American Arbitration Association. The parties are Zerorez Franchising Systems, Inc. (ZFS), Todd Hall (principal of franchisee) and Zerorez Great North, Inc.; Zerorez Canada, LLC; and Zerorez Alberta, LLC (current franchisee and predecessors). In 2020, the Company entered into a franchise agreement and then an amendment to that agreement with Zerorez Canada, Inc., as well as its principal, Todd Hall. Under the amendment, Zerorez Canada was to become a regional developer for the Company to sell Zerorez franchises in Canada, in addition to operating its own franchise. The amendment provides that Mr. Hall would pay $300,000 for those development rights, the Company would provide disclosures to enable franchises in Canada, and the parties would agree upon a regional development agreement. Zerorez Canada paid only part of its obligation for the development rights and the Company took an extended amount of time to provide needed disclosures. However, after many months of attempting to reach agreement on the regional development contract, negotiations failed. The Company filed a demand for arbitration against Hall and Zerorez Canada, seeking declaratory judgment that the First Amendment was terminated and related relief. Zerorez Canada filed a Counterclaim, seeking lost profits for the franchises it claims it could have established in the past and future under claims of breach of contract and the covenant of good faith or alternatively fraudulent inducement, negligent misrepresentation, intentional interference with economic relations, and

declaratory relief. After limited discovery, ZFS filed motions that successfully dismissed portions of Zerorez Canada's claims. At the arbitration hearing, Hall claimed that the tribunal had no jurisdiction over him. The arbitration panel held that it did have jurisdiction over Hall and Zerorez Canada and in its Final Arbitration Award dated December 31, 2025, the panel ruled in favor of ZFS on its claim and against Zerorez Canada and Hall on all of their claims and awarded attorney fees and costs against Zerorez Canada.

Other than as set forth above, no litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fee

In order to acquire a ZEROREZ Franchise you must pay to ZEROREZ an initial lump sum initial franchise fee ("**Franchise Fee**") of $30,000 or, if you purchase a Hometown Market (as defined below), $15,000. This Franchise Fee includes an Operating Territory with (i) up to 60,000 households, as agreed upon and determined according to the most recently available U.S. Census (the "**Census**"), or (ii) up to 30,000 households if you purchase a hometown market (a "**Hometown Market**") Operating Territory. Some areas may not be divided or available as a Hometown Market because of its geographical size or number of households. We determine in our sole discretion all territories, including the areas in which we will grant Hometown Market franchises.

The Franchise Fee is due upon execution of the Franchise Agreement and is nonrefundable.

The Franchise Fee will allow you to operate in your designated Operating Territory. With our prior written approval and provided there is no Zerorez Residential Franchise or Commercial Franchise covering such territory, you may also offer Services and products on a non-exclusive basis to (i) Commercial Customers located in your Operating Territory; and (ii) to both Residential Customers and Commercial Customers located outside your Operating Territory and inside your general market area (see Item 12 for additional detail).

Discount Programs

We provide the following discount programs:

Zerorez Technician to Owner Pathway Program

Zerorez offers a professional development pathway designed to provide qualified Zerorez technicians the opportunity to pursue franchise ownership. Zerorez technicians must meet certain criteria and have been employed as a technician for at least one year to be eligible to enter the program. If a technician successfully completes the program, they are eligible for the following discounts upon completion of the required years of service as a Zerorez technician:

50% off our then-current residential initial franchise fee for technicians with at least three (but less than five) consecutive years of service.

100% off our then-current residential initial franchise fee for technicians with at least five consecutive years of service.

Existing Business

If you have an existing business with two years of gross sales and at least $50,000 in gross sales in the most recent trailing twelve months, we will provide the discount outlined below off the Franchise Fee if the existing business is rolled into the franchise. The amount of the discount is based on the annual gross sales of your existing business. Existing business is defined as a business that generates sales by providing services that are similar to the services provided by us. Franchisees who qualify for the existing business discount do not qualify for the minimum royalties and will pay royalties immediately upon commencement of the franchise business and according to the territory size (either a $750 flat fee or 6%).

Annual Gross Sales of Existing Business	Percent Discount on Franchise Fee
$50,000 to $99,999	50%
$100,000 to $299,999	60%
$300,000 to $499,999	70%
$500,000 to $749,999	80%
$750,000 to $999,999	90%
$1,000,000 or more	100% (Franchise Fee waived)

Additional Franchise Discount

For franchisees who have been in the system for at least two years, we will provide a 10% discount on the Franchise Fee for additional franchises.

For franchisees who have at least $50,000 in gross sales within a 12-month period to residential customers in an area outside of their Operating Territory but within an area that could be covered by another Operating Territory with no more than 60,000 households, we will provide a 25% discount on the Franchise Fee, provided that the discount only applies for a period of 12 months following the last 12-month period in which this revenue threshold was met or exceeded in such area.

Employee or Franchisee Employee Discount

If you are a current employee of Zerorez, its affiliates or its franchisees and have been an employee for at least two consecutive years, we will provide the discount outlined below off the Franchise Fee. The amount of the discount is based on the number of consecutive years you have been an employee.

Number of Consecutive Years	Percent Discount on Franchise Fee
2	10%
3	15%
4	20%

5 or more	25%

Veteran Discount

If you are United States honorably discharged veteran (as determined by us in our sole discretion), we will provide a 20% discount on the Franchise Fee.

Training

Initial training for up to two people at the same training session prior to the opening of your Franchise is included in the Franchise Fee. If you want more than two people to receive the initial training, or if your training takes place in different training sessions, the charge is $1,500 per additional person. After the initial training session, the charge for training is $1,500 per person. The training charge of $1,500 per person will apply after the initial training session even if fewer than two people are trained in the initial training session. Amounts paid for training are nonrefundable and do not include any travel or lodging or per diem expenses.

Zr Ware® Initial Fee

You must use our required software and technology package ("**Zr Ware**") as further described in Items 6 and 11. Prior to opening, you must pay us an initial license and setup fee for the right to use Zr Ware in the amount of $1,500.

All fees disclosed in this Item are nonrefundable. These fees are uniform except where a franchisee qualifies for a discount outlined above.

ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee (**"Royalty Fee"**)	6% of Gross Sales, subject to minimum amounts. If your Operating Territory is a Hometown Market the royalty amount is a $750 per month flat fee, subject to minimum amounts. (Note 1)	By the 15th of each month based upon the Gross Sales for the prior month	You will pay your Royalty Fee to us through an Electronic Funds Transfer ("**EFT**").
Zr Ware Technology Fee	2.25% of Gross Sales, may increase by up to 0.5% per year, provided that it will not exceed 3.5% during your initial term	By the 15th of each month based upon the Gross Sales for the prior month	(Note 2)

Type of Fee	Amount	Due Date	Remarks
National Brand Fund Contribution	1% of Gross Sales currently, up to 3% of Gross Sales	By the 15th of each month based upon the Gross Sales for the prior month	The required contribution is currently 1%. You will pay your national advertising contribution to us through an EFT (Note 3).
Non-Compliance Fee	$100 per day per deviation from contractual requirement plus actual, reasonable expenses incurred related to ensuring compliance, if applicable	After notice and opportunity to cure within 10 days, within five days after notification from us that the fee is being charged	
Late Charges	2% of late royalty payment if received after the 20th of the month; 2% per month interest on unpaid balances	Immediately after notice from us	(Note 1)
Training Fee for Additional Persons	$1,500 per person	At time of training	(Note 4)
Additional Training/Assistance	$250 per day plus expenses	As incurred	We charge a daily fee of $250 plus expenses for any special assistance you request.
Transfer Fee	$7,500 - $30,000	Before Transfer is effective	(Note 5)
Audit Expenses	Cost of audit, plus late fees	Immediately after notice from us	You must pay this fee only if the audit shows that you understated your Gross Sales by more than 2%; in addition to formal audits, you must give us access to your books and records.
Services We Provide to Your Customers	Varies	As incurred	(Note 6)
Annual Conference Fee	Varies	As incurred	(Note 7)

Type of Fee	Amount	Due Date	Remarks
National Customer Acquisition Fee	Varies	By the 15th of each month to be paid with the Royalty Fee	(Note 8)

Unless otherwise stated, all fees are paid to ZEROREZ and are nonrefundable. Except with respect to some of our current franchisees that pay lower royalty rates and/or contribute to the brand fund at a lower rate than what you are required to contribute based upon agreements with certain early franchisees, all fees are uniformly imposed and collected.

Note 1. If your Operating Territory is a Hometown Market with 30,000 households or less, you shall pay a flat royalty fee of $750 per month, subject to the Minimum Royalty Payment during the first 27 months after Operations Commencement. If your Operating Territory has more than 30,000 households, the Royalty Fee is 6% of Gross Sales. If your Operating Territory is a Hometown Market but you service territory outside your Operating Territory, you shall pay the Royalty Fee of 6% on all Gross Sales generated in territory outside your Operating Territory. "**Gross Sales**" include all revenues you receive, whether cash, check, credit, or value of any goods or services traded, bartered, or otherwise received by you from your ZEROREZ Franchise, from the Services done by you or any person employed by you whether or not our name and marks are used and from the sale of any products to customers whether residential or business. The foregoing also includes fees charged to your customers for fuel charges, waste dumping fees or any other surcharge added to a customer's invoice. Gross Sales do not include sales or use taxes on goods or services collected on behalf of governmental authorities, refunds and credits actually made by you to customers, and receipts from the sale of used equipment. If your state, or any governmental body in your state, charges us a tax on the Royalty Fee we receive from you, then we require you to pay an additional amount sufficient to ensure that we receive the amount we would have otherwise received had the tax not applied to the payment. This does not apply to any federal income tax we have to pay. You must pay a Royalty Fee on Gross Sales received by you during the entire term of the Agreement and any renewal terms.

Either the Royalty Fee or the Minimum Royalty Payment is required to be paid beginning three months from the commencement of your franchise operations ("**Operations Commencement**").

The current minimum Royalty Fee (the **"Minimum Royalty Payment"**) is as follows:

Beginning in the fourth full calendar month after Operations Commencement, $250 per month.

Beginning in the sixteenth full calendar month after your Operations Commencement, the minimum Royalty Payment is $500 per month.

Beginning in the twenty-eighth full calendar month after your Operations Commencement, the minimum Royalty Payment is $750 per month.

You must also transmit to us electronically, at least monthly, Gross Sales figures (less credits), sales tickets and monthly sales tax statements. In addition, you must provide us with your monthly profit and loss statement by the 15th day following the end of each month and annual financial statements, including profit and loss statements and a balance sheet no later than 30 days after the end of each calendar year.

All royalty payments are due and owing by the 15th of each month through an electronic funds transfer from your bank account to our designated bank account. If we do not receive your royalty payment, we will assess a late penalty in the amount of 2% on the amount of the royalty payment due and payable for that billing cycle (the "**Late Fee**"). If you do remit your royalty payment by the 30th day of each monthly billing cycle, in addition to the Late Fee, we will assess interest on the entire amount owing for that specific billing cycle at the rate of 2% per month (or 24% per annum) (the "**Interest Charge**") or the maximum amount allowed under applicable law, whichever is less. The Interest Charge will continue to accrue on any portion of a royalty payment that is more than 30 days in arrears, until such delinquent royalty payment is paid in full, including payment of the Late Fee.

Note 2. You must pay us a fee equal to 2.25% of Gross Sales ("**Technology Fee**") for access to and use of Zr Ware. Zr Ware, our tech stack, may include but is not limited to the following components: customer relationship management (CRM) system including both residential and commercial features; schedule route dispatch; a net promoter score (NPS) platform; access to a payment processing platform; transactional text messaging; marketing email management; unlimited technician access to the Zerorez mobile application; access to and use of the Zerorez 800 number; up to three Google Workspace email accounts; and a learning management system which includes one license to Franklin Covey All-Access Pass. The Technology Fee covers the usage and maintenance of these programs. The Technology Fee does not include additional fees such as the payment processor credit card and gateway fees. Additional charges related to telecom fees for outbound calls and promotional text messages may also apply.

Note 3. We have established a national advertising program, and you are required to contribute to the national program 1% of your monthly Gross Sales. Thereafter, the percentage of Gross Sales may increase by no more than 1% per annum, up to a maximum of 3%. You must pay us the contribution to the national advertising program monthly by EFT at the same time as the Royalty Fee but as a separate transfer to an account designated by us.

Note 4. We provide the initial training of up to two people at our expense. We charge a training fee for the training of any additional individuals. You may repeat the training at a future date, as needed, on a space available basis upon payment of the training fee. All training materials will be provided at no cost for up to two people from your Franchise Business. You will be responsible for paying for your own lodging, meals, transportation, and other out-of-pocket expenses connected with any and all of this training.

If you require additional training for the Services or ancillary services or consulting services outside the scope of our training regimen, we may charge additional fees for such training or consulting services.

Note 5. You may not sell, assign, transfer, or encumber your rights under the Franchise Agreement or sell all or substantially all of the assets of the Franchise Business ("**Transfer**"), unless you meet our requirements as outlined in the Franchise Agreement. The Transfer fee depends on the buyer of your Franchise. If you sell, assign, or transfer a majority interest in your Franchise but continue to hold an interest in the Franchise or transfer your entire Franchise to a current Franchisee in the ZEROREZ Franchise System, the Transfer fee is $7,500. If you sell, assign, or transfer your Franchise to a new Franchisee that is not in the Zerorez Franchising System, the Transfer Fee is $30,000, which will include training for up to two individuals, which training must occur prior to the Transfer for the Franchise and both individuals must attend at the same time. In addition, you must execute (i) a mutual termination and release

agreement in a form acceptable to us; and (ii) the new entity must execute the then-current version of our franchise agreement.

Note 6. You must guarantee all of the work of you and your employees. If we incur costs to inspect or correct your work as the result of a customer complaint and your failure to satisfactorily respond to such a complaint, you must reimburse us for our costs reasonably incurred to remedy the complaint.

Note 7. We hold annual or periodic conferences for our franchisees. There is currently no charge for you and up to four individuals, from your Franchise Business to attend the conference. We reserve the right to charge a fee for any additional attendees that we approve to attend. You will be responsible for all of the travel, lodging and food expenses for the individuals attending the conference.

Note 8. We may institute national customer acquisition programs whereby fees are paid to third-party advertisers based on customers you actually service. If such programs are instituted, you must pay the designated fee to us for each customer serviced. Participation in any such program is mandatory, but we may discontinue any program at any time. If customers serviced under this program are Commercial Customers, continued servicing of such customers is subject to the limitations described in Item 12.

ITEM 7. ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Franchise Fee (Note 1)	$15,000 - $30,000	Lump Sum Payment	Upon signing Franchise Agreement	Us
Zr Ware (Note 2)	$1,500	Lump sum license and setup fee	Upon signing franchise agreement	Us
Equipment Package (Note 3)	$16,979 - $18,479	As Agreed	As Agreed	Third-party vendor
Initial Supplies (Note 4)	$3,000 - $6,000	Lump Sum Payment	Prior to opening	Third-party vendor
Mobile Unit (Note 5)	$82,165 - $92,145	As Agreed	As Agreed	Third-party vendor
Travel & Living Expenses While Training (based on two persons) (Note 6)	$3,000 - $5,000	As Incurred	Prior to Opening	Vendor/Service provider

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Certifications (Note 7)	$574	Lump Sum payment	Prior to Opening	Third-party
Computer System & Equipment, and Telephone	$3,500 - $6,000	Lump Sum Payment	Prior to Opening	Vendor
Real Property (Note 8)	$0 - $4,500	Lump Sum Payment	Prior to Opening	Landlord
Insurance (Note 9)	$3,000 - $5,000	As Incurred	As Incurred	Insurance provider
Additional Funds (covers first 12 months) (Note 10)	$90,000 - $241,500	Various	As Incurred	Various
Total (Note 11)	$218,718 - $410,698			

The foregoing chart describes the estimated initial investment for a Franchise Business using one Mobile Unit to provide the Services. These numbers are based upon the Mobile Unit and equipment package total costs but many of our franchisees finance these items and pay a monthly payment to a creditor. We prepared these estimates based on the experience and data collected from our current franchisees. Except as expressly indicated otherwise, these estimates include your initial cash investment up to the opening of your Franchise Business, and potential working capital needs for the first 12 months of operations thereafter. You should not plan to draw income from the operation during the start-up and development stage of your business, the actual duration of which will vary materially from one franchisee to another and cannot be predicted by us for your Franchise Business. You should consider having additional sums available, whether in cash or through a bank line of credit or have other assets that you may liquidate or against which you may borrow to cover other expenses and any operating losses you may sustain, whether during your start-up or thereafter. The amount of necessary financial reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your Franchise Business, which in turn will depend upon factors such as public awareness of our business and the ZEROREZ brand, your ability to operate efficiently and in conformance with our recommended methods of doing business, and competition.

The estimated expenditures listed in the table payable to Zerorez are nonrefundable. Whether amounts paid to third parties are refundable is determined by your agreement with such third party.

Note 1. The Franchise Fee is $15,000 for a Hometown Market Operating Territory with up to 30,000 households or $30,000 for an Operating Territory of more than 30,000 households up to 60,000 households. See Item 5 for additional details. The Franchise Fee is nonrefundable.

Note 2. You must use Zr Ware in conducting the Franchise Business. The initial license and setup fee is $1,500. Thereafter, you must pay us a Technology Fee of 2.25% of Gross Sales as further described in Items 6 and Item 11 for continued access to the Tech Stack.

Note 3. You must purchase the ZEROREZ equipment package as detailed in our Manuals from sources acceptable to and approved by us. The figures stated in the table are the estimated cost of the equipment package required to operate one Mobile Unit in the Franchise Business based on current pricing from our sources. The actual cost to you of the equipment packages will likely vary from time to time as a result of pricing changes by our equipment sources and may also vary as a result of factors specifically applicable to you, such as vendor, location, delivery or shipping charges, and other items.

You can acquire the required equipment through sources we identify or through your own source(s), which must be approved by us.

The required equipment package is fully described in our Manuals and includes a sufficient amount of mineralized water concentrate, a water-softening device, and a water storage tank (together, the "**Zr Water® Equipment**") which you must have to provide the Services. The mineralized water concentrate is used to produce the alkaline cleaning solution ("**Zr Water**") that must be used in your ZEROREZ Franchise operations. The cost of the ZR Water Equipment ranges from $16,979 to $18,479 and includes a required initial purchase of the mineralized water concentrate, which will cover approximately four months of operation, depending on usage. You will have additional costs related to purchasing the mineralized water concentrate throughout the term of your Franchise Agreement. All Zr Water used in the Franchised Business must be maintained below a pH of 10. Failure to use Zr Water as we prescribe will constitute a violation of your Franchise Agreement. Another option to produce Zr Water for use in your Franchised Business is to purchase an ERW Generator. If you choose to purchase an ERW Generator instead of Zr Water, the terms of purchase and the warranty attached to your specific ERW Generator will vary depending on the ERW Generator you purchase and from which third-party vendor you purchase your ERW Generator and the range of the ERW Generator package including the ERW Generator is from $50,148 to $51,648. We require that you fulfill all obligations required under the purchase agreement for your ERW Generator. If you choose to purchase an ERW Generator, you must notify us of the third-party vendor that supplies your ERW Generator and the terms and conditions of your purchase. Regardless of whether you purchase the Zr Water Equipment or the ERW Generator, it must be purchased from our approved third-party vendors.

Note 4. You are required to purchase from us or approved third-party vendors an initial supply of cleaning products and supplies to commence operation of your ZEROREZ Franchise as detailed in the Manuals. The amount disclosed is to operate one Mobile Unit and will be enough product for 12 months of operations. Supplies purchased from other suppliers must comply in all respects with our System standards. See Item 8 of this Disclosure Document.

Note 5. The price for the Mobile Unit, as disclosed, varies based on the vans available to you plus the equipment that is installed inside the van, the waterproofing liner and Zerorez branded wrap that is installed on the exterior of the Mobile Unit. You must transport the cleaning equipment to the customer's location on a Mobile Unit to perform the Services. Accordingly,

you cannot operate without an approved Mobile Unit that is equipped with options necessary for mounting and operating the cleaning equipment and that otherwise complies with our System standards as further described during training. You can lease the required Mobile Unit through your own source. The actual cost of the financing will vary depending on your credit rating, the term, and any additional, non-required equipment you choose to purchase.

Note 6. The range of estimates presented above reflects that transportation expenses will vary according to distance traveled and mode of transportation.

Note 7. We require you or your designated manager to complete certification with the Institute of Inspection, Cleaning & Restoration Certification ("**IICRC**"), a third-party certification program, as part of your initial training. This training must be completed prior to opening your ZEROREZ franchise. The cost is $349. You must always have, at a minimum, one employee that is IICRC Certified. We also require you to become a certified Carpet & Rug Institute ("**CRI**") business, which will cost approximately $225 per year.

Note 8. To fulfill your requirement to fully develop the potential of the Franchise Business in your Operating Territory, you are required to add Mobile Units when necessary to ensure you promptly and adequately provide service to all customers within the Operating Territory. The estimated amounts reflect the circumstance where some franchisees may initially operate from their residence, while others will choose to establish a separate facility. The higher figure is an estimate of the lease rate for an office/storage facility of approximately 1,500 square feet to be large enough for a three-Mobile Unit operation. Actual lease rates may vary considerably from area to area based upon local rental rates and availability of suitable commercial space.

Note 9. Insurance costs vary in different locations. The estimate is for one year of liability insurance coverage, property and casualty insurance coverage and vehicle coverage. If you have employees, you may incur expenses for workers' compensation insurance. We are unable to estimate amounts that you may be required to spend for workers' compensation insurance. The requirements and rates vary widely from place to place. We reserve the right, upon 60 days prior written notice, to require you to obtain additional liability, property, vehicle or workers' compensation coverage, as provided under the Franchise Agreement.

Note 10. This is an estimate that includes miscellaneous expenses you will incur in the first twelve months of operating the Franchise Business and includes security deposits, ongoing monthly software subscriptions, Zr Ware, and other initial expenses, such as advertising, rent, payroll, insurance and your transitional living expenses. You should be aware many of these costs will repeat on a monthly basis, and you should therefore make sure you have sufficient additional funds to meet the franchise business operation commitments during the first 12 months of operation, and sometimes longer. The estimate of additional funds is based upon an owner-operated business and does not include any salaries or benefits for employees or any allowance for an owner's draw. We estimate that, in general, a franchisee can expect to invest additional cash into the business during the first 12 months, and sometimes longer. This cost may vary based on factors such as the number of routes your franchise operates. This estimate is based on our past experience operating the business and offered in this Disclosure Document as well as our franchisees experience.

Note 11. We have relied on our experience and our franchisees experience in the cleaning industry to compile these estimates. Neither we nor our affiliates finance any part of the initial investment.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your ZEROREZ Franchise according to our System. The System regulates most aspects of your Franchise Business, including the products and Services you offer, advertising materials, uniforms, office supplies, stationery, and other miscellaneous materials used in your Franchise Business. All cleaning products, supplies, advertising materials and equipment used by you in the establishment and operation of your ZEROREZ Franchise must meet our specifications, as established by us from time to time. We will provide written notice to you of any modifications to these specifications. The proprietary products and other cleaning products described in the Manuals must be purchased from us or approved third-party vendors, unless we determine otherwise. In addition, you may only offer Services authorized by us, and you must offer those Services in accordance with our requirements, as established from time to time. You may not offer services that we do not, or cease to, authorize upon notification by us that those services are no longer authorized. The source of these obligations is the Franchise Agreement, and the purpose of these requirements is to maintain the ZEROREZ image and preserve the integrity of the System, to ensure the identification of ZEROREZ franchisees by the public, to preserve and enhance the goodwill associated with the image, and to fulfill expectations of ZEROREZ's customers. Specifications may include minimum standards for quality, performance, safety, durability, appearance, size, color, fitness for purpose, design, material, and other characteristics. Upon termination of your ZEROREZ franchise, we will instruct you in the manner and method of disposition of your ZEROREZ equipment, including removing any and all Marks for your equipment, etc.

Items Which You Must Purchase

The mineralized water concentrate produces Zr Water, the cleaning solution used in all ZEROREZ franchises. You may only purchase the mineralized water concentrate from third-party vendors we have approved. You must notify us as to the third-party vendor that supplies your mineralized water concentrate and the terms and conditions of your purchase. You must use Zr Water in your operations and for no other purpose. Failure to use Zr Water is a violation of your Franchise Agreement.

If you choose to buy an ERW Generator to produce Zr Water, you may only purchase the ERW Generator from third-party vendors we have approved. You will not be permitted to sell the ERW Generator to anyone, other than a person who purchases your Franchise Business or to another Zerorez franchisee upon written approval by Company. Both Zerorez and any vendor that supplies your ERW Generator will provide training on the installation of the ERW Generator during your initial training. You will then be responsible for the actual installation of the ERW Generator. You will be responsible to follow the manufacturer's guidelines in your operation of the ERW Generator, including regular and consistent maintenance, which is required by the manufacturer in order for the ERW Generator to function properly and efficiently. Each warranty respecting your ERW Generator will vary based upon the ERW Generator you purchase and the third-party vendor from whom you purchase the same.

Additionally, you will not be allowed to sell any fluids generated by the ERW Generator(s) or using mineralized water concentrate in bottles or in bulk without our prior written consent.

You must purchase and use in your ZEROREZ franchise, initially and throughout your term as a Zerorez franchisee, certain specific tools, accessories and equipment, as described in our manuals, which consist of six manuals available for information and training to all franchisees

(referred to collectively as the "**Manuals**"). In order to maintain the proprietary nature of your Franchise Business, and to assure the consistent delivery of the ZEROREZ Services, some of the items you will be required to purchase can only be obtained from or through us or approved vendors. The products described in the Manuals must be used in your Franchised Business for ongoing operations and can only be purchased through us or Zerorez-approved vendors. You are required to purchase from approved vendors an initial supply of cleaning products and supplies to commence operation of your ZEROREZ Franchise. These required products and supplies are detailed in the Manuals. We do not currently supply any of your initial supply of cleaning products or inventory besides the Zr Wand, although we may do more in the future. Purchasing other or similar products (equipment and cleaning products) from unauthorized third parties constitutes a violation of the Franchise Agreement and may lead to the termination of your Franchise. You may only sell to customers products approved by us. We may be the only supplier of such approved products, in which case you must cease sale of any similar products purchased from other sources.

You must purchase or lease and use in your ZEROREZ franchise Mobile Units that meet the standards described in our Manuals. Each Mobile Unit you acquire for your franchise must be modified to include certain equipment and accessories required to mount the required cleaning equipment. These Mobile Unit items may only be purchased and installed by approved suppliers we identify.

You must use Zr Ware, our tech stack, in the operation of your Franchise and will also pay us a monthly Technology Fee based on your Gross Sales, which will allow you to use all Zr Ware features. Please review Item 11 for additional information regarding Zr Ware and other computer hardware and software you must purchase or license.

We have obtained a toll-free telephone number 1-866-ZEROREZ, and you may be required to advertise the central 1-866-ZEROREZ telephone number in all of your advertising. Calls to the central telephone number for jobs within your Operating Territory will be routed to you. Calls for jobs within your market area but that are for commercial services or outside your Operating Territory (and not within the territory of another ZEROREZ business) will be routed to you and/or any other ZEROREZ business operating within that market area, as determined, at our discretion (See Item 12 for additional information). We provide this service as part of Zr Ware.

If we develop other proprietary equipment or products in the future, we may, as determined by us in our sole discretion, require you to purchase those items from us.

Approved Suppliers and Specifications

You must purchase all products, including, but not limited to, cleaning products, chemicals, equipment, signs, uniforms, supplies, used in the operation of your ZEROREZ Franchise only from suppliers who have been approved by us or according to our specifications. We, or our affiliates, may be an approved supplier for required purchases and in some cases may be the only approved supplier. If we or an affiliate are an approved supplier, we will receive profits from sales to franchisees. We continually review and evaluate suppliers for this purpose and approve those who are able to meet our standards and specifications, who possess adequate quality controls, and who have the capacity to supply our needs and the needs of our franchisees promptly and reliably. The criteria we use in approving suppliers are available to franchisees upon written request. We reserve the right to limit the number of approved suppliers for the purposes of efficiency and effective buying power. All items purchased from approved suppliers must meet our System standards and specifications.

We will give you a list of approved suppliers and specifications before you start your Franchise Business. If you want to purchase products from suppliers other than those we have approved, you must request our approval in writing before doing so. Before giving our approval, we may ask the supplier to provide samples of materials they wish to provide to you, and we may investigate the ability of the supplier to provide materials that meet our specifications. The prospective supplier must pay to us the actual costs associated with the investigation of their product(s), although we do not impose any fee upon you for such an investigation. We will tell you within 30 days whether or not a supplier will be approved. If we approve a supplier, we have the right to re-inspect its facilities, products and service record from time to time, and we can revoke our approval if the supplier fails to meet our standards or does not cooperate with us in our periodic re-approval process. Our determination regarding approval or disapproval is final.

ZEROREZ has not established and does not participate in any purchasing or distribution cooperatives and no purchasing or distribution cooperatives have been approved. As described under Item 11 of this Disclosure Document, we may establish advertising cooperatives.

We may, at our option, negotiate certain purchase and pricing arrangements with suppliers for the benefit of the entire ZEROREZ franchise organization and charge a markup and make a profit on such purchasing arrangements. We do not provide any special benefits to franchisees based upon their use of such suppliers.

Insurance

You must obtain and maintain, at your own expense, the insurance coverage delineated in the Franchise Agreement, including ”all risk” property and casualty insurance, commercial liability insurance, automobile liability insurance, statutorily required workers compensation insurance coverage, or any other insurance required by state law as described in the Manuals. While you are free to obtain insurance from the company of your choice, we may from time to time have certain relationships with insurers you can use. The current description provides that you must maintain general liability insurance of at least $1,000,000 per accident or occurrence affecting one or more persons or property damage and $1,000,000 aggregate. Your cost for this insurance will depend on where your franchise is located, insurance carrier’s rates, your insurance history and the level of your deductibles. All policies of insurance maintained by you must contain a separate endorsement naming ZEROREZ as an additional insured and provide that we receive at least 30 days prior written notice of termination, cancellation or expiration of any insurance. You must provide us a copy of your insurance binder. All insurance maintained by you must be placed with an insurance carrier or carriers with an A.M. Best’s rating of “A” and an A.M. Best’s Class rating of “xiv” or otherwise must be approved in writing by us. The cost of this coverage will vary depending on the insurance carrier(s), the terms of payment and your history.

Company-Acquired Accounts

We may, at our option, enter into agreements to provide or accept services for third-party companies on a national or regional basis (“**Company-Acquired Accounts**”). Company-Acquired Accounts may be any Commercial Customer requesting ZEROREZ services. You should be aware that Company-Acquired Accounts may lead to high volume and, in some situations, discounted pricing. Until the time that we offer Commercial Franchises, you are granted right of first refusal to provide services to Company-Acquired Accounts in your Operating Territory at the pricing established by us. If you choose not to service the Company-

Acquired Account or do not meet the standards or requirements established by the Company-Acquired Account, we have the right, but not the obligation, to service the Company-Acquired Account or to engage a subcontractor to service the account who may be another ZEROREZ franchisee. In negotiating pricing schedules on Company-Acquired Accounts, we will negotiate on behalf of all of the franchisees. Servicing Company-Acquired Accounts is subject to restrictions and you may later be required to allow a Commercial Franchise to service these Company-Acquired Accounts. See Item 12 for additional information.

Ownership Interest in Suppliers

None of our officers own any interest in any supplier from whom you are required to purchase as a franchisee.

Revenue Derived by Franchisor and Affiliates from Franchisee Purchases

Our total revenue from all sources in our last fiscal year ending December 31, 2025 was $6,513,860 and the revenues to us from required purchases of products by our franchisees from our approved suppliers or us was $108,284.71 for the same period or 1.66% of our total revenues. Our revenue is accounted for as a separate account line item on our internal financial statements. During the most recently completed fiscal year, neither Zerorez, Inc. nor any other affiliate received any derived revenue, rebates or other material consideration based on required purchases or leases by franchisees.

We estimate that your purchases of goods and services in accordance with specifications will represent approximately 90 to 100% of your total purchase in connection with establishing your Franchised Business and approximately 90 to 100% of your total purchases in connection with operating your Franchised Business.

In 2025, we received rebates from approved suppliers of equipment and supplies. These rebates are calculated based on either (i) a flat amount per ERW Generator purchased of $5,000, or (ii) the gross sales by suppliers to our franchisees and range from 1% to 4% of such sales or of the amount financed. We reserve the right to receive additional rebates in the future, however, the cost to franchisees shall not exceed open market rates for the same or reasonably similar products or services.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION(S) IN AGREEMENT	ITEM(S) IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	Section 3 of the Franchise Agreement	Items 8 & 11
b. Pre-opening purchases/leases	Sections 5 & 11 of Franchise Agreement	Items 7 & 8

OBLIGATION	SECTION(S) IN AGREEMENT	ITEM(S) IN DISCLOSURE DOCUMENT
c. Site development and other pre-opening requirements	Section 1, 7 & Schedule A of the Franchise Agreement	Items 7, 8 & 11
d. Initial and on-going training	Section 4 of the Franchise Agreement	Items 7 & 11
e. Opening	Section 3 of the Franchise Agreement	Items 7, 8 & 11
f. Fees	Sections 2, 4 & 12 of the Franchise Agreement	Items 5, 6 & 7
g. Compliance with standards and policies / Operating Manual	Section 4, 5 & 6 of the Franchise Agreement	Items 8, 11, 15 & 16
h. Trademarks and proprietary information	Sections 4, 5, 6 & 8 of the Franchise Agreement	Items 13 & 14
i. Restrictions on products/services offered	Sections 1 & 5 of the Franchise Agreement	Items 8 & 16
j. Warranty and customer service requirements	Section 5 of the Franchise Agreement	Items 6 & 11
k. Territorial development and sales quotas	Sections 1, 2, 5 & Schedule A of the Franchise Agreement,	Item 12
l. On-going product/service purchases	Section 5 of the Franchise Agreement	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 5 of the Franchise Agreement	Items 7 & 11
n. Insurance	Section 11 of the Franchise Agreement	Items 7 & 8
o. Advertising	Section 7 of the Franchise Agreement	Items 6, 8 & 11
p. Indemnification	Section 11 of the Franchise Agreement	Items 6 & 13
q. Owner's participation/ management/staffing	Section 5 of the Franchise Agreement	Items 11 & 15

OBLIGATION	SECTION(S) IN AGREEMENT	ITEM(S) IN DISCLOSURE DOCUMENT
r. Records/Reports	Sections 2, 5 & 10 of the Franchise Agreement	Items 6 & 11
s. Inspections/Audits	Section 10 of the Franchise Agreement	Item 6
t. Transfer	Section 12 of the Franchise Agreement	Item 17
u. Renewal	Sections 1 & 13 of the Franchise Agreement	Item 17
v. Post-termination obligations	Section 14 of the Franchise Agreement	Item 17
w. Non-competition covenants	Section 8 of the Franchise Agreement	Item 17
x. Dispute Resolution	Section 15 of the Franchise Agreement	Item 17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. If you are a corporation, limited liability company or other business entity, we require your shareholders, members and owners to guarantee all of your obligations to us.

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

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

Obligations Prior to Opening

Before you begin to operate your ZEROREZ franchise, we will provide the following assistance:

1. Designate your Operating Territory at the time you sign your Franchise Agreement (Franchise Agreement, Section 1.1, Attachment A).

2. Provide a list of approved vendors that will sell to you the equipment you are required to install on your ZEROREZ Mobile Units and assist you with the installation of equipment an outfitting of your Mobile Units for operation (Franchise Agreement, Section 5).

3. Provide a list of approved vendors that will sell to you the equipment and supplies for which we are the sole source that you need to operate your Franchise Business (Franchise Agreement, Section 5.2).

4. Provide you with a list of approved suppliers (Franchise Agreement, Section 5.2).

5. Provide to you, for the term of the Franchise Agreement, the Manuals, as further defined in Item 11 below, which remains our property (Franchise Agreement, Section 4.3).

6. Permit you to use the Marks and the ZEROREZ System, in accordance with our requirements (Franchise Agreement, Section 1.1, Section 6).

7. Provide initial training for two persons, you and a person designated by you, at times and locations designated by us (Franchise Agreement, Section 4.1).

8. Provide you and your management team access to Zr Ware and our management training library (Franchise Agreement, Section 2.2).

Obligations After Opening

During the operation of your ZEROREZ franchise, we will provide the following assistance:

1. Continuation of the Obligations Prior to Opening described above, as applicable and as those obligations and assistance are needed. (Franchise Agreement, Section 4)

2. Provide marketing advice. You have the right to determine your local marketing strategy within the brand guidelines as provided, including through the Manuals and our brand and style guides (the, "**Brandworks**"). ZEROREZ reserves the right to review and determine, in its sole discretion, whether your marketing strategy and materials are in compliance with the brand guidelines. (Franchise Agreement, Section 7)

3. Provide Pricing advice. You have the right to determine your local pricing for Services, except for Company-Acquired Accounts, for which we will establish pricing. (Franchise Agreement, Section 5.7 and Section 5.12)

4. Conduct an annual conference for all ZEROREZ franchisees (Franchise Agreement, Section 4.3).

5. Provide access to a digital asset manager, which is currently housed on the platform Brandworks (which contains advertising materials developed by us and our franchisees from time to time for use in a ZEROREZ Franchise. (Franchise Agreement, Section 7.2)

6. Use the national advertising program funds collected from you to formulate and conduct the program (Franchise Agreement, Section 7.3).

7. Use commercially reasonable efforts to protect the Marks and proprietary products from infringement by any person (Franchise Agreement, Section 6.3).

8. Periodically update our Manuals (Franchise Agreement, Section 4.3).

9. Provide you and your management team access to our management training library and the Zr Academy (Franchise Agreement, Sections 2.2 and Section 4.1).

Advertising Programs

We consider advertising and promotion to be critical to the establishment and growth of a ZEROREZ Franchise. As a result, we require that you spend at least 15% (and potentially recommend more) of your Gross Sales for local advertising. You are free to determine how the required local advertising funds are spent, provided that you request and receive our approval in advance for any use of the Marks, provide us with a summary of the advertising expenditures on at least a quarterly basis, and provided further that you will promptly discontinue any advertising upon our request. You may employ the services of an advertising agency if you so desire. We reserve the right to audit and reserve the right to deny use of advertising materials not prepared by us, or which were produced by us but altered by you or your representatives.

You must contribute 1% of your Gross Sales per month to our national brand fund. We may increase the percentage of Gross Sales by no more than 1% per annum, up to a maximum of 3%. In connection with the national advertising program, we have the final right to approve all advertising vendors and advertising copy and will administer this fund or engage a third party to manage this fund if ever established. Some of our current franchisees contribute to the brand fund at a lower rate than what you are required to contribute based upon agreements made as some early franchisees in our system. Other than these franchisees, all franchisees will contribute at the same rate. We and our company-owned bases and affiliate franchises will contribute the same percentage of Gross Sales in the same manner. The fund will be used to assist the system as a whole to grow in recognition and to test various marketing techniques and advertising for the benefit of the entire system. The fund will be audited annually, and franchisees will be allowed to request an accounting of the fund 90 days after the end of each calendar year in writing for the fund's use in the previous year. Franchisees are limited to one such request for an audit annually. The fund will not be used for solicitation of new franchisees.

In 2025, 43% of the fund expenditures on branding and creative, 19% on personnel resources, 23%on software development and services, and 15% on digital media testing and support.

In the future, if your Operating Territory is located in an advertising market where other ZEROREZ franchisees or company owned locations are located, we may require you to participate in a market-wide advertising cooperative. You will not be required to contribute more than 5% of your Gross Sales to any such cooperative, and all amounts contributed to the local advertising cooperative will be credited toward your minimum required local advertising expenditure. Any ZEROREZ business owned by us or any of our affiliates will participate in any cooperative on the same basis as you are required to contribute. Any cooperative will be administered by the cooperative according to bylaws or guidelines provided by us. We may change any governing bylaws or guidelines as we deem reasonably necessary for the benefit of the members and the system. Any governing documents will be made available to the members upon request.

In order to maintain consistency and quality, you will be required to purchase most of your advertising through whatever media buyer or advertising company we may reasonably designate from time to time so long as the service fees charged by such buyer or company are reasonable and that such requirement is consistently applied to all franchisees. You may advertise our central 1-866-ZEROREZ telephone number in all of your advertising. All calls from Residential Customers to the central telephone number originating within your Operating

Territory will be routed to you. Calls for jobs within your market but that are outside your Operating Territory and the territory of other franchisees will be routed as determined in our discretion.

To maintain the consistency of our brand and advertising connected to our brand, all advertising and use of the Marks must be in compliance with the Brandworks. If we determine, in our sole discretion, that any advertising or Marks are not in compliance with our guidelines, we may require and you must immediately cease use and take all effort necessary effort to take down or remove and such non-compliant advertising or use of our Marks. Other than the responsibilities outlined above, we have no obligation to conduct advertising, whether local, regional or national to spend any amount on advertising in your Operating Territory.

We have established a marketing committee that meets monthly and consists initially of members, six of whom are elected. From the six who are elected, at least three individuals shall be franchisees and the remaining three may be franchisees or corporate base managers. Additionally, we designate two full-time employees as members and the Franchise Advisory Committee ("**FAC**") shall appoint one of its members as a marketing committee member. Each member will serve for a three-year term. With the exception of the FAC member appointed to the committee, each member represents one vote. In addition, the CEO of Zerorez shall have one vote. For purposes of clarity, this means the committee shall consist of a total of nine votes. The committee serves only in an advisory role to formulate marketing strategies both locally and nationally and to provide a marketing resource for franchisees.

We also created and support the FAC, which consists of four representative franchisees, elected for a two or three-year term by our franchisees and one appointed ZEROREZ corporate representative. Representative Franchisees may be corporate employees but must own at least 33.33% of a Franchised Business and be an active operator in the Franchised Business. The FAC is an advisory board to help franchisees communicate with the entire ZEROREZ franchise organization, and its existence is governed by bylaws. One member of the FAC is assigned specifically to marketing issues. The FAC does not have decision-making authority and does not bind us or franchisees in any way, other than with respect to speaking for franchisees.

If we determine that a cooperative media area-advertising program should be formed, you must participate in and pay the designated fees related to that cooperative advertising program. All ZEROREZ franchisees that have businesses, including us and our affiliates, in the media area must participate in the cooperative. The media area will be determined by us using third-party media services such as Nielson for television and radio and areas of circulation for printed media.

Cooperatives will operate under bylaws approved by us. Each cooperative is free to set its own budget and is self-administered. All cooperatives operate on a one ZEROREZ Franchise equals one-vote basis. In the event of disputes or tie votes, which cannot be resolved by the members of the cooperative, we reserve the right to resolve the dispute. Unless ZEROREZ is a member of an advertising cooperative in your media area, we have no obligation to spend any money on advertising in your area. We do not require cooperatives to prepare or submit periodic financial statements, although they are free to do so.

We may institute national customer acquisition programs whereby fees are paid to third-party advertisers based on customers you actually service. If such programs are instituted, you must pay the designated fee to us for each customer serviced. See Item 6 for additional information regarding this fee.

We require you to set-up and manage a location-specific page within the zerorez.com domain. You are not permitted to obtain or maintain any other Internet web site or domain name separate from this website, which contains anything related to the Franchised Business, approved Services or any of our trademarks or service marks without our express written approval. We will own any domain that includes the name "ZEROREZ." Notwithstanding the foregoing, we allow you to establish and manage your own local presence within social media platforms such as Facebook, Instagram and TikTok, provided that if we, in our sole discretion, determine that any post is inappropriate, not consistent with the ZEROREZ brand or should otherwise be removed or taken down, you must do so immediately and you must transfer any such account to us upon termination or expiration of the Franchise Agreement.

We will support the toll-free number, 1-8660-ZEROREZ (937-6739) and www.zerorez.com.

Computer/Software Systems

You must use computers and other hardware that meet our specifications, if any, and is sufficient to run Zr Ware. You may purchase equipment meeting our specifications from any supplier you choose. We will provide you with online support to help you operate the software and to answer routine questions about the operation and maintenance of Zr Ware, but the manufacturer of your computer or other hardware will assist in providing technical support if necessary. We have no contractual obligation to provide maintenance, repairs, updates, or upgrades with respect to your computer hardware. You must upgrade or supplement your hardware and/or software, including the purchase of additional equipment, if necessary, as specified by us from time to time without contractual limit to improve the overall effectiveness and competitiveness of your business. The cost to purchase the required hardware ranges from $3,500 to $6,000. The annual cost to maintain and upgrade this computer hardware ranges from $500 to $5,000 depending on the number of employees in your business and the type of hardware you choose to purchase. You must grant us independent access to all financial information generated and stored in your computer systems. We reserve the right to have independent access to your schedule, including for the purpose of scheduling appointments for Company-Acquired Accounts. There are no contractual limits to our access to this information.

You are required to use Zr Ware, our tech stack, which may include but is not limited to the following components: customer relationship management (CRM) system including both residential and commercial features; schedule route dispatch; a net promoter score (NPS) platform; access to a payment processing platform; transactional text messaging; marketing email management; unlimited technician access to the ZEROREZ mobile application; access to and use of the ZEROREZ 800 number; up to three Google Workspace email accounts; and a learning management system which includes one license to Franklin Covey All-Access Pass. The Technology Fee covers the usage and maintenance of these programs. The Technology Fee does not include additional fees such as the payment processor credit card and gateway fees. Additional charges related to telecom fees for outbound calls and promotional text messages may also apply.

In addition to Zr Ware, you must use QuickBooks Online or other approved accounting software and we may also require Fleetio, or another approved service, for fleet management at a future date. Fees for these services are paid directly to the provider and may change as the providers' costs change, but are currently $250 per month for QuickBooks Online and $11 per month per vehicle for Fleetio.

You are prohibited from changing or modifying Zr Ware, and you will be bound by the terms of the license agreement that comes with the software.

We will provide you with a specific ZEROREZ email address that you must use to communicate with us in regard to the franchise.

Confidential Brand Standards Manuals

Our confidential brand standards manuals, which currently includes each of the six manuals listed below, (referred to collectively herein as the "**Manuals**"), as may be amended and supplemented from time to time, contain our System standards, specifications and operating procedures relating to the development and operation of a ZEROREZ franchise. We will provide you with electronic access to Manuals at the appropriate time during the initial training in our offices, and you will retain such electronic access to Manuals as a franchisee.

The Manuals also include alternative or supplemental means of communicating that information by other media, including digital learning modules, assessments, live roleplays, articles, SOPs, flashcards, and podcasts. The current Manuals total 2,733 pages and include the following separate manuals: "Managing the Business: (707 pages); "Technician Success & Cleaning" (401 pages); "Software Training" (52 pages); "Chemicals Equipment Logistics" (1,347 pages); "Customer Service" (105 Pages); and "Marketing" (121 pages).

The Manuals will be made available to you to review in our offices prior to signing the Franchise Agreement. We may also show you the Manuals via Zoom if you prefer not to travel to our offices before signing. The Manuals will be accessible online through our secured site and access will be monitored. The Manuals contain Confidential Information, and you agree not to copy any part of it or distribute it to anyone outside your Franchise Business.

Site Selection

You select the site for your business within your Operating Territory. We do not select or approve a business location for you, and we are not required to provide any assistance to you in selecting a location, although we will offer guidance if requested to do so by you.

Time Before Opening

You must commence operation of your ZEROREZ Franchise within 75 calendar days after you complete our initial training program. The typical length of time from the signing of a Franchise Agreement to the commencement of operations by a franchisee is 90 to 120 days. Factors affecting the length of time before opening usually include obtaining the necessary financing if any, delivery of the Mobile Unit and installation of the required equipment, schedule of training classes and the termination of your current employment if necessary.

Training

Training Program

We provide an initial training program that begins upon signing of your franchise agreement. The initial training will be provided through Zr Academy™, an online LMS (learning management system), which includes quick reference guides, videos, manuals, quizzes and other resource materials. This online training is all a lead-up to a week-long in-person training

experience at our corporate offices in American Fork, Utah or another location designated by Zerorez and includes classroom and hands-on training. The online and in-person training are in preparation for go-live training when your Franchise opens for business.

Up to two individuals whom we approve in advance may attend the initial training for no charge beyond your franchise fee. Additional individuals whom we approve in advance in writing may attend at a cost of $1,500 per person. Expenses associated with attending the in-person training, including transportation, food, lodging, and any wages due to the person(s) attending training, if applicable, are to be covered by you.

The typical in-person training begins on a Monday and concludes on Friday of the same week. The go-live training portion of the training program will take place over 4-5 days at your location.

The training requirements include that you be an active participant in the IICRC. The IICRC is the governing board for the cleaning and restoration industry. The IICRC and CRI are the two organizations that set industry standards for cleaning. You are required to have at least one person IICRC certified as CCT's (Carpet Cleaning Technicians) on staff. In Zr Academy™ there is a reference paper called IICRC Certifications. This is a good resource to get the applications and the name of an IICRC instructor. We have several instructors in the Zerorez system and other instructors that offer us discounts. The cost of the CCT class is $349 and is held online. You must become a CRI certified business and maintain that designation, which will cost approximately $225 per year.

Zr Academy™ is set up with quick reference guides, videos, manuals, courses and curricula and other reference materials. You will be required to have your cleaning technicians and customer service representatives complete the specific courses for their field of expertise, which include quizzes required to assess understanding and to achieve the certifications for that particular training.

The chart below generally summarizes the subjects we typically cover in training, the instruction materials we use, the approximate hours of instruction and the location of training. Details of instruction and times for particular sessions may vary according to availability of staff, areas of concentration needed by trainees and other factors. Our training team will handle the training sessions and includes Broc Hogan who has more than 8 years of experience with ZEROREZ and in the industry; Landon Clarke who has 3 years of experience with ZEROREZ and in the industry; and Brent Clark who has more than 2 years of experience with ZEROREZ and in the industry. All trainers will have been with ZEROREZ at least one month before taking on any training responsibilities.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
ZEROREZ systems, including Zr Ware®, Zr Academy™, Zerorez Marketing Portal and FC All-Access Pass	2	8	Our training center in American Fork, UT and the Go-Live Week at your location.
Core Services Training	12	26	Training Center in American Fork, UT and the Go-Live at

			your location.
Mobile Unit, Equipment, Chemicals, and Maintenance	6	6	Training Center in American Fork, UT and the Go-Live at your location.
Call Center Operations	1	12	Training Center in American Fork, UT and the Go-Live at your location.
ZEROREZ Culture	2	0	Training Center in American Fork, UT
Marketing and Branding	4	2	Training Center in American Fork, UT and the Go-Live at your location.
Key Performance Indicators, Proforma, Finance, HR	5	3	Training Center in American Fork, UT and the Go-Live at your location.
TOTAL	32	57	

Additional Training

If you feel you need additional specialized training from us outside of the training and follow-up training provided to all franchises, you can request that our training team provide the specific training you need. You will pay our then-current fees, which are currently $250 per day fee, plus expenses for this type of training (See Item 6 for additional information).

There may be times we offer new products, services or advanced specialized training that may be required for your franchise. If directed to provide this training for your technicians and CSR's, you must ensure that your employees satisfactorily complete the required training.

Our training department is not a profit center for us, and we do not expect to make a profit on any additional training. The fees we charge for that training will be limited to the amount necessary to recoup our costs. You and your employees are responsible for all of your out-of-pocket expenses (if any) to participate in such additional training, including transportation, meals and lodging.

We have a contract with FranklinCovey, which provides access to the Zerorez/FranklinCovey Management Training Library (All Access Pass). The Technology Fee covers one license to the All-Access Pass and additional licenses may be purchased for an annual cost of $200 each license. Your management teams, technicians, and CSR's may also participate as you seek to strengthen their leadership skills and to improve the culture of your teams. You will learn more about this during the initial training program.

Annual Conference / Convention

We hold an annual conference each year. There is no charge for up to four total individuals associated with your Franchise to attend the conference, provided that we approve these individuals in advance in writing. However, you will be responsible for all approved attendees' expenses for attending the conference, including transportation, meals and lodging. We reserve the right to charge a registration fee for franchisees to attend the annual conference in the future.

ITEM 12. TERRITORY

You will 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.

Prior to signing the Franchise Agreement, you will be assigned an Operating Territory for providing Services to Residential Customers, which will be a geographic region within a specific market area as defined by us and agreed to by you. The number of households in the territories of franchisees will vary based on a number of factors, including, regional location, median income, home values, number of single-family dwellings, and specific locale as we believe these factors are indicative of households more or less likely to use the ZEROREZ services. The Franchise Fee you pay varies based on the population in the Operating Territory ($15,000 for a Hometown Market and $30,000 for a traditional market) as determined pursuant to the Census. We do not guarantee that the number of households in your Operating Territory at the beginning of your franchise will remain static or increase.

In addition to having the right to provide the Services to Residential Customers within your Operating Territory, and subject to the limitations in this Item 12, you also have the non-exclusive right to provide services to Commercial Customers, which include and are limited to commercial carpet and surface cleaning, commercial air duct cleaning and commercial janitorial services ("**Commercial Services**"), within your Operating Territory.

Subject to the limitations in this Item 12, you also have the non-exclusive right to provide the Services and Commercial Services (including to Residential Customers and Commercial Customers) outside your Operating Territory and within your market area, provided that the location of that service is not within the Operating Territory of one of our corporate-owned locations ("**Corporate Base**") or any other ZEROREZ Residential Franchise or Commercial Franchise. If you receive a request to provide services outside your Operating Territory and within the operating territory of another ZEROREZ franchisee or Corporate Base, you will be required to refer the request to the ZEROREZ franchisee or Corporate Base with rights to the territory and covering the type of services in which the service is requested. If the request is for Services or Commercial Services inside the market area and outside any territory belonging to a ZEROREZ franchisee or a Corporate Base, then you may accept the job with our prior approval, even if the job is outside your Operating Territory, but must properly account for these Services as you would for any job in your Operating Territory. If, at any time, a Residential Customer or Commercial Customer comes to be within the Operating Territory of any Corporate Base, Residential Franchise, or Commercial Franchise, you will be required to cease servicing such customer and refer the customer to the appropriate ZEROREZ business. If we grant a ZEROREZ business to another franchisee a Commercial Franchise or operate ourselves or through an affiliate a Corporate Base to provide Commercial Services covering your Operating Territory, you will be required to cease providing Commercial Services in your Operating Territory. All or a portion of your market area could be subject to territories of franchisees or Corporate Bases, in which case you may be limited to servicing Residential Customers in your Operating Territory.

Subject to the limitations described below, we retain the right to offer and sell Residential Franchises or operate Corporate Bases for residential services covering any territory other than the Operating Territory and to offer and sell Commercial Franchises at any location we determine, including within your Operating Territory.

If we begin offering Commercial Franchises, we will provide you notice of such intent in advance of such offering ("**Commercial Franchise Notice**"). The Commercial Franchise Notice will include a date on which we intend to begin such offering (the "**Offer Date**"). Beginning on the Offer Date and for a period of six months thereafter (the "**Offer Period**"), you will have a right of first refusal to purchase a Commercial Franchise with rights to your Operating Territory. If you exercise this right within the Offer Period, you will not be required to pay an initial franchise fee for such franchise, provided that at least 5% of your Gross Sales in the 12-month period immediately preceding the Commercial Franchise Notice date consists of revenue from Commercial Customers. Regardless of whether you exercise this right, you will be solely responsible for all other costs related to the startup and operation of the Commercial Franchise, including costs to provide services that may be in addition to or different from the Services. You will also be required to enter into a Zerorez Commercial Franchise agreement, which will contain development obligations specific to Commercial Services provided in your Operating Territory and may contain provisions that are materially different than those in the Franchise Agreement. If you choose not to exercise this right and have not entered into a franchise agreement with us by the end of the Offer Period (provided we are properly registered and able to sell such franchises, and if not, such period will be extended accordingly), we will have the right to sell a Commercial Franchise for your Operating Territory or any portion thereof to any third party at any time. Until we sell a franchise for Commercial Franchise covering your Operating Territory and such franchisee is open for business, you will have the continued right to provide the Commercial Services within your Operating Territory. Once any such Commercial Franchise, however, is open for business you must transfer all Commercial Customers within such franchisee's operating territory to such Commercial Franchise and no longer provide Commercial Services to such Commercial Customers. You will not receive any compensation from us or from the Commercial Services franchisee related to such transfer of customers. Any disputes over the right to provide services to a customer will be determined by us in our sole discretion.

We may sell products bearing the Marks in retail stores such as supermarkets, floor covering stores, hardware stores or home centers, or other channels of distribution, including but not limited to direct response marketing campaigns, infomercials, via the Internet or other similar marketing initiatives, without regard to your Operating Territory. We will not market and sell portable carpet or fabric cleaning systems by means of a company-owned or franchised outlet under similar trademarks or service marks. We reserve the right to promote and/or sell products and Services via the Internet, e-commerce or other similar marketing channels. As discussed above, we and our affiliates reserve the right to sell franchises using the Marks or any other trade name or mark that will provide services to Commercial Customers located within (or outside) your Operating Territory. Neither we nor any affiliate must pay any compensation to you for soliciting and/or conducting such additional business activities in your Operating Territory. We may establish or acquire other franchise systems for similar or different products and services using different trademarks or service marks in your Operating Territory, or the territory belonging to any other ZEROREZ franchisee. However, we will exercise care to reasonably ensure that any such activities will not detract from or adversely affect our franchisee(s) in its/their particular market(s). Under the Franchise Agreement, you have an obligation to use your best efforts to promote your ZEROREZ franchise and to increase demand for the Services within your Operating Territory. Continuation of your Franchise Agreement is dependent upon meeting the development obligation and the failure to do so could result termination of the Franchise Agreement. The development obligation will be expressed as a revenue requirement based on the number of households in your Operating Territory. The revenue requirement for each year will be agreed upon by you and us and will be based upon

the demographics of your Operating Territory, including regional location, median income, home values, number of single-family dwellings, and specific locale.

The description of your Operating Territory may not be changed unless you agree in writing. You maintain rights to your Operating Territory even if the population within the Operating Territory increases during the term of your Franchise Agreement. The boundaries of your Operating Territory will not change according to increases or decreases in population during the term of the Franchise Agreement.

We will approve the relocation of a ZEROREZ franchise if the relocation is within your Operating Territory. You have no options, rights of first refusal or similar rights to acquire additional franchises unless special offers are made available to you in writing.

We reserve the right to develop, and to market and sell to commercial and residential end users anywhere in the world, including in your Operating Territory, a portable carpet or fabric cleaning system.

ITEM 13. TRADEMARKS

The Franchise Agreement gives you the right to operate a ZEROREZ franchise under the trade names, and the Marks that we establish. You must follow our rules when you use the Marks. You cannot use any of our names or marks as a part of a corporate name or with modifying words, designs or symbols, except those we license to you. You may not use any of the names or the Marks for the sale of any unauthorized products or Services or in a way we have not authorized in writing. ZIP is the owner of the Marks and licenses the exclusive right to use the Marks (along with the other Franchise IP). The license agreement with ZIP is dated January 1, 2017 and, subject to the terms of the agreement, is of perpetual duration. There are no limitations on our use of the Marks.

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

Principal Trademark	Registration No.	Registration Date
ZEROREZ	2912417	December 21, 2004, renewed March 3, 2025
zerorez	5566972	September 18, 2018
ZEROREZ THE RIGHT WAY TO CLEAN	5406605	February 20, 2018
ZERO RESIDUE MEANS CLEANER LONGER	5704113	March 19, 2019
ALL WE LEAVE IS CLEAN	6480159	September 7, 2021
INSANELY CLEAN	7669595	January 28, 2025
INSANELY CLEAN CARPETS	6338086	May 4, 2021
ZR	8138535	February 10, 2026

	5566973	September 18, 2018
ZR WARE	6147822	September 8, 2020

The following Mark is registered on the Supplemental Register of the USPTO:

Principal Trademark	Registration No.	Registration Date
ZERO RESIDUE	4577711	July 29, 2014, renewed July 5, 2025

In addition to the above federal trademark registrations, we claim common law trademark protection in the following marks denoted with the "™" symbol. We do not yet have federal registration for these trademarks, but have common law rights and may have filed applications with the United States Patent and Trademark Office. Therefore, these trademarks do not have as many legal benefits and rights as a federally-registered trademark. If our right to use the trademarks is challenged, you may have to change to an alternate trademark, which may increase your expenses.

A SMARTER LASTING CLEAN™

THE SMARTER WAY TO CLEAN CARPETS™

EXPERTS IN THE SCIENCE OF CLEAN™

NO RESIDUE CARPET CLEANING™

Your right to use the Marks and other symbols, logotypes, insignia, trademarks, or service marks developed for and used with your ZEROREZ Franchise is derived solely from the Franchise Agreement. You use the Marks solely in connection with the operation of the franchise licensed by us. You may not use the Marks with the sale of any unauthorized product or service or in any other way not explicitly authorized by the Franchise Agreement or otherwise approved by us in writing. You must display the Marks only as we specifically direct or approve. You may not use any portion of the Marks as part of your company name or as part of your trade name without our prior written consent. You must display the following legend on all stationery, business cards, promotional material, and signs on your premises, Mobile Units, and other materials as we may require: "This franchise is independently owned and operated under a 'Franchise Agreement,' with ZEROREZ Franchising Systems, Inc."

We have the right to approve all stationery, promotional items, displays, and other materials you prepare using the Marks. If you fail to comply with any trademark use requirement described in the Franchise Agreement, we may terminate your right to use the Marks and may take any other action we deem appropriate to protect the Marks.

The goodwill associated with these Marks will remain our or ZIP's exclusive property and you will derive no tangible benefit from our goodwill, except for the general benefit you receive from the operation of your Franchise. Upon termination of the Franchise Agreement, all rights to use the Marks will automatically revert to us without payment to you and without the execution or delivery of any document.

We reserve the right to adopt new marks at any time, or to change the Marks. If we adopt new marks, or change any of the Marks, you must use the new or modified marks, and discontinue the use of any marks we decide to change or discontinue. In that case, we will either give you sufficient notice to allow you to use any trademarked stationery and/or marketing material purchased by you in the immediately preceding ninety days which will become obsolete, or at our option, purchase those materials from you at your cost.

All required affidavits have been filed with the USPTO. ZIP intends to file renewal applications for the Marks. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark. There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

You must notify us of any use of, or claim of right to, a trademark, which is identical to our marks. You may not prosecute or defend any claim or action with respect to the marks without our consent. We must use such efforts as we deem reasonable, considering the costs and other risks involved, to protect our marks from infringement by any person. We have the right to control any administrative proceedings or litigation concerning any of the marks. You must cooperate with us in any proceeding or litigation involving any of the marks.

We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any action for trademark infringement arising out of your authorized use of any Mark according to and in compliance with this Agreement and, except as otherwise provided, for all costs you reasonably incur in defending any claim brought against you, provided you have timely notified us of the claim and provided further that you are in compliance with this Agreement and all other agreements entered into with us or any of our affiliates. We, at our sole discretion, are entitled to prosecute, defend and/or settle any action arising out of your use of any Mark, and if we undertake to prosecute, defend and/or settle any matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We filed eight U.S. patent applications on February 26, 2019 with the USPTO that each claim priority to U.S. Provisional Patent App. No. 62/635,380 (together with the above and below patents and patent applications owned by ZIP, the "**Patents**"). Of the eight applications, the following patents have issued: United States Patent No. 11,440,820 entitled "SYSTEMS AND APPARATUS FOR PRODUCING ELECTROLYZED ALKALINE AND OXIDIZING WATER" which issued with the USPTO on September 13, 2022 and has a patent term until February 26, 2039; United States Patent No. 11,498,856 entitled "SYSTEMS AND APPARATUS FOR PRODUCING ELECTROLYZED WATER" which issued with the USPTO on November 15, 2022 and has a patent term until May 19, 2040; United States Patent No. 11,565,952 entitled "SYSTEMS AND METHODS FOR PROVIDING AN ELECTROLYTIC CELL" which issued with the USPTO on January 31, 2023 and has a patent term until November 16, 2041; United States Patent No. 11,383,993 entitled "SYSTEMS AND METHODS FOR PROVIDING A MAGNETICALLY TREATED ELECTROLYZED WATER" which issued with the USPTO on July

12, 2022 and has a patent term until November 25, 2039; United States Patent No. 11,479,484 entitled “SYSTEMS AND METHODS FOR CONDITIONING ELECTROLYZED WATER” which issued with the USPTO on October 25, 2022 and has a patent term until February 26, 2039; United States Patent No. 11,661,357 entitled “METHODS AND PROCESSES FOR PRODUCING ELECTROLYZED ALKALINE AND OXIDIZING WATER” which issued with the USPTO on May 30, 2023 and has a patent term until February 26, 2039; United States Patent No. 11,623,880 entitled “METHODS AND PROCESSES FOR PRODUCING ELECTROLYZED WATER” which issued with the USPTO on April 11, 2023 and has a patent term until February 26, 2039; and United States Patent No. 11,629,076 entitled “SYSTEMS AND METHODS FOR PROVIDING AN ELECTROLYTIC CELL THAT PRODUCES CONDITIONED ELECTROLYZED WATER” which issued with the USPTO on April 18, 2023 and has a patent term until October 12, 2041.

We filed a U.S. patent application on September 12, 2022, namely, US Serial No. 17/943,042 entitled “SYSTEMS AND APPARATUS FOR PRODUCING ELECTROLYZED ALKALINE AND OXIDIZING WATER” which is a continuation of and claims priority to US Patent No. 11,440,820 entitled “SYSTEMS AND APPARATUS FOR PRODUCING ELECTROLYZED ALKALINE AND OXIDIZING WATER”. This application is pending at the USPTO.

ZIP is the owner of the Patents and licenses the exclusive right to use the Patents (along with the other Franchise IP). The license agreement with ZIP is dated January 1, 2017 and, subject to the terms of the agreement, is of perpetual duration. There are no limitations on our use of the Patents.

In addition, the ZEROREZ equipment package is proprietary and was developed exclusively for use in the ZEROREZ Franchise system. We claim copyright and common law rights in our Manuals and our advertising and promotional materials, which are currently not registered with the United States Copyright Office.

There are no agreements currently in effect that significantly limit our rights to use or license these copyrights or common law rights in any manner material to this franchise organization, nor are there any effective determinations of the United States Copyright Office or any court regarding any of the copyrighted material. We do not know of any infringing uses that could materially affect your use of these copyrighted materials in any state. We are not required by any agreement to protect or defend any copyrights or confidential information, although we will do so if taking that action is in the best interest of the ZEROREZ System. You are provided electronic access to the Manuals during the term of the Franchise Agreement.

During the term of the Franchise Agreement, you will be exposed to proprietary information, including trade secrets that we have developed. This information includes our Manuals and subsequent revisions, our advertising and marketing methods and strategies, sources of supply, operating methods, cleaning techniques and products, equipment specifications, service standards, sales techniques, national account relationships or affiliations, expansion plans and other facets of the ZEROREZ System. The Franchise Agreement requires you to maintain the confidentiality of this information at all times and to prevent unauthorized persons from getting access to it. This information remains our property at all times. You must also take all appropriate precautions to prevent unauthorized copying or disclosure of any confidential information by your employees or agents. The precautions include restricting access to the information on a "need to know" basis. At our option, management personnel must execute a non-disclosure agreement, the form, of which we must approve, to ensure that they maintain the confidentiality of the information.

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

While we recommend that you participate in the operation of your business, you are under no obligation to do so. However, a minimum of two persons who can serve as manager must successfully complete our training program and must always directly supervise the business. The manager is not required to have any ownership interest in your business, but we hold you personally responsible for the day-to-day management of your franchise and you must sign a guaranty that will individually bind you and your partners to all covenants, obligations and commitments contained in the Franchise Agreement. Your spouse is not required to sign the guaranty or otherwise guaranty performance of the obligations in the Franchise Agreement unless they have an interest in the franchise or the entity as party to your Franchise Agreement. We will require you, your managers, technicians, employees and any other persons affiliated with you who come in contact with confidential information to sign a confidentiality agreement in the form attached as Schedule E to the Franchise Agreement. We own all customers and customer lists during and after the term of the Franchise Agreement, and you will be required to turn over to us all of your customer lists upon termination or expiration. You will be prohibited for a period of at least 18 months from providing any services of the nature provided by ZEROREZ for any of the customers for whom you provided Services.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and provide the required Services. Required Services include residential carpet, tile, fabric care, living surfaces, and restorative cleaning services, including upholstery, fabrics, hard surfaces floor. Optional services are air duct cleaning, air filters, wood floor cleaning, limited restoration, and other services as determined by us. You have the discretion to decide whether you want to offer and provide the optional services. You have no right to add additional services under your ZEROREZ franchise or use other equipment unless we agree in writing. In providing the services that we authorize, you may only use equipment, materials, supplies, uniforms, forms, and products specified and/or approved by us as meeting our standards and specifications. See Items 8, 9 and 11 for details. We have the right to change our System as we reasonably deem appropriate for the benefit of franchisees, and you must operate your franchise in compliance with our System as modified from time to time. You are only authorized to sell specific cleaning products that we have approved in writing. If we offer a product you wish to resell, you must purchase the product from us and if at any time we begin to offer a product and you are selling a comparable third-party product, you must cease selling such third-party product immediately and only offer our comparable product. You must fully indemnify us related to any product not purchased from us, even if such product has been approved by us. You are not permitted to sell any products on the internet including social media platforms or third-party websites.

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 1.2	10 years from date of Franchise Agreement
b. Renewal or extension of the term	Section 1.2	If you are in good standing, upon expiration of your original Franchise Agreement, you will have the right to renew your franchise for another 10-year term, provided you sign the then-current franchise agreement and pay a fee equal to $10,000. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreement.
c. Requirements for franchisee to renew or extend	Section 1.2	Compliance with Franchise Agreement during entire term; providing written notice of intent to renew; satisfying all monetary obligations owed by you to the company (including paying the required renewal fee equal to $10,000); signing the then-current franchise agreement (meaning that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreement); and compliance with the then-current qualifications and training requirements.
d. Termination by franchisee	Section 13.2	If you are in compliance with the Franchise Agreement, and if we fail to comply with any substantial term of the Franchise Agreement and fail to cure the breach within 30 days of your written notice of the breach, subject to applicable state law.
e. Termination by franchisor without cause	Sections 1.2 and 13.3	Upon expiration of the current term if not renewed by you; in the event you fail to commence the operation of the Franchised Business as required under the Franchise Agreement; or in the event you are unable to complete satisfactorily the initial training program
f. Termination by franchisor with cause	Sections 13.4 and 13.5	We can terminate if you engage in any of the stated prohibited activities, fail to pay any sum due to us, cease to be engaged in business or engage in any activity inconsistent with the provisions of the Franchise Agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
g. "Cause" defined – curable defaults	Section 13.5	You have 10 days to cure non-payment of sums due us or abandonment of the business; two days to cure health or safety issues; three days to cure unauthorized sale of products; continued sale to unauthorized customers after notice; 60 days to cure failure to meet a development obligation; and 30 days to cure other defaults and operational deficiencies.
h. "Cause" defined – non-curable defaults	Section 13.4	Non-curable defaults: file a petition in bankruptcy or a petition is filed against you and not contested in three days; if you are a corporation, partnership, or limited liability company and you are dissolved; if you make an assignment for the benefit of creditors or become insolvent; if you fail to contest, satisfy, or lift any execution, seizure, or foreclosure against the assets of the Franchised Business within ten days; if a final judgment exceeding an amount of $25,000 remains unsatisfied for 30 days or longer; if you take the benefit of any act or proceeding for winding up your affairs or compromising your debts; for any improper assignment of the Franchise Agreement; for any cessation of operation of business or misuse or an unauthorized use of the System or Marks or any other name; for commission of fraud or misrepresentation, making of false statements, acts inconsistent with a ZEROREZ franchise operation or the System; you disparage us after previously receiving a notice from us of a violation due to disparagement.
i. Franchisee's obligations on termination/non-renewal	Section 14	Cessation of use of System, confidential information, and Marks, return ERW Generator, if applicable, return all advertising materials, cessation of use of all telephone lines including all advertising associated with the telephone numbers, cessation of use of radio or television advertising and assignment to us of rights to that advertising, payment of all sums owed to us and/or to local

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		advertising cooperative(s), sell us your inventory upon our request; transfer of all social media and online accounts to us.
j. Assignment of contract by franchisor	Section 12.7	There is no restriction on our right to assign.
k. "Transfer" by franchisee—defined	Section 12.1	Includes sale of your business or of any of the assets of your business, transfer of contract, stock, partnership interest, or other interest in franchise and any pledge or mortgage of the Franchise Agreement.
l. Franchisor approval of transfer by franchisee	Section 12.1	We have the right to approve all prospective transferees.
m. Conditions for franchisor approval of transfer	Section 12.3	Your franchise is open and operating; you have paid all your obligations to us, your creditors and government agencies; you are not in default under the Franchise Agreement; new franchisee qualifies and completes training; then-current agreement signed by new franchisee; transfer fee paid; general release executed.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 12.2	We can match any offer for your business.
o. Franchisor's option to purchase franchisee's business	Sections 12.2 and 14.2	We have a right of first refusal (see "17.n" above). We also have the right, but not the obligation, upon notice to you within 30 days of the effective date of termination or nonrenewal of your franchise, to purchase at fair market value the Mobile Unit and equipment, any ERW generator, and all other physical assets (excluding real property and personal assets used in the Franchised Business).
p. Death or disability of franchisee	Section 12.6	Franchise must be transferred by estate to approved buyer within 12 months.
q. Noncompetition covenants during the term of the franchise	Section 8.2	No involvement in any competitive business during term, subject to applicable state law.
r. Noncompetition covenants after the franchise is terminated	Section 8.2	No involvement in any competitive business in the Operating Territory, within a 25-mile radius of the Operating Territory

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
or expires		or within the operating territory of any other ZEROREZ franshisee for a period of 18 months, subject to applicable state law.
s. Modification of the agreement	Section 15.5	No modifications generally unless in writing signed by both parties, but ZEROREZ System and Manuals subject to change by ZEROREZ in our sole discretion.
t. Integration/merger clause	Section 15.5	Only the terms of the Franchise Agreement and other related agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 15.11	Arbitration is mandatory and, except for certain claims, must be conducted in Utah, subject to applicable state law.
v. Choice of forum	Section 15.10	Arbitration must take place in the county in which our principal headquarters are located (currently Utah County, Utah), subject to applicable state law. Litigation may be filed in Utah, subject to applicable state law.
w. Choice of law	Section 15.10	Utah law applies, subject to applicable state law.

ITEM 18. PUBLIC FIGURES

We currently do not use any public figures to promote our franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

1. a franchisor provides the actual records of an existing outlet you are considering buying; or

2. a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following tables present unaudited information about the revenues, certain expenses and Contribution Margin (Gross Margin less Advertising & Marketing expense) of certain Zerorez franchise operations from each participating franchisee's operations for the year 2025 (the "**Operational Period**"). Five franchises closed during 2025. Two franchisees transferred their franchise to a new owner during 2025. None of these locations are included in these tables. The numbers in Tables 1 below include all franchisees that reported to us and that had at least one year of operating history. The numbers presented in Table 2 represent the average percentage of total Gross Revenues received by month to show the seasonality of the business.

TABLE 1

Franchises with at least one year of operating history

Zerorez has 60 total franchisees, 43 of which are included in Table 1. The information included in Table 1 does not include information from 17 of the franchises because five such franchisees had less than one year of operating history and 12 such franchisees did not properly report to us. Data from all 43 franchisees that meet the criteria are included in Table 1. 14 of the 43 (or 32.6%) franchisees represented in Table 1 actually attained or surpassed the average Gross Revenues results. 21 of the 43 (or 48.8%) franchisees represented in Table 1 actually attained or surpassed the median Gross Revenue results. The numbers below are sorted based on Gross Revenues. **All median, high and low numbers presented for all categories other than Gross Revenues are the numbers for the franchise with the median, high or low Gross Revenues, respectively, and not the median, high or low of all franchises for each expense or earnings category.**

Average Revenue and Contribution Margin for the Fiscal Year					
	Average % of Gross Revenues[2]	**Average**	**Median**	**High**	**Low**
Gross Revenues[1]	100	$1,428,301	$890,136	$12,914,633	$31,163
Costs of Goods Sold[3]	42.5	$606,835	$442,085	$6,075,499	$15,667
Gross Profit[4]	57.5	$821,466	$448,051	$6,839,134	$15,496
Advertising & Marketing[5]	19	$270,778	$220,488	$1,919,463	$26,414
Contribution Margin	38.6	$550,688	$227,563	$4,919,671	$(10,918)

Average Gross Revenues per Mobile Unit per Month: $15,717

Average Number of Mobile Units in January 2025:	8
Average Number of Mobile Units in December 2025:	8
Percentage Change in Number of Mobile Units in 2025:	0%

TABLE 2

Average Percentage of Total Gross Revenue by Month (Seasonality)

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
6.3%	6.1%	7.5%	8.6%	9.2%	9.2%	9.2%	9.0%	8.6%	9.5%	9.1%	7.7%

Item 19 Notes

1. **Gross Revenues**. As used herein "**Gross Revenues**" means that aggregate amount of all sales of Zerorez products and Services made and rendered in connection with the operation of a Zerorez franchise, excluding all federal, state or municipal sales or use taxes collected from customers and paid to the appropriate taxing authority. These financial representations include some franchisees who offer commercial services. Commercial services account for approximately 10% of revenue in the overall Zerorez franchise system.

2. **Percentage of Gross Revenues**. This column lists the percent of Gross Revenues that each category represents.

3. **Costs of Goods Sold**. Costs of Goods Sold include the actual price paid for products, chemicals and all items used in a Zerorez franchise operation. Costs of Goods Sold also include customer refunds, cash discounts, charges for damaged products and other waste, as well as drop charges, packaging and shipping charges, certain supplies and other goods. Also not reflected in either Costs of Goods Sold or General Administrative Expenses below, is compensation paid in cash distributions taken by the owner(s) of each Zerorez franchise.

4. **Gross Profit**. This is Gross Revenues minus Costs of Goods Sold as such terms are defined and described herein.

5. **Advertising and Marketing Expenses**. These include all costs of marketing and advertising in a Zerorez franchise, such as national brand fund fees, radio, print, television ad other advertising media as well as fliers, point of sale advertising, etc.

6. **Contribution Margin**. This means Gross Profit less Advertising & Marketing expenses.

Written substantiation for the financial performance representation will be made available to you upon reasonable request.

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

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 Chantelle Lawrence at 772 E Utah Valley Dr #120, American Fork, Utah 84003 or by phone at (801) 899-5116, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE 1: SYSTEM-WIDE OUTLET SUMMARY FOR (FISCAL) YEARS 2023 TO 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	53	55	+2
	2024	55	57	+2
	2025	57	60	+3
Company Owned	2023	21	20	-1
	2024	20	22	+2
	2025	22	22	0
Total Outlets	2023	74	75	+1
	2024	75	79	+4
	2025	79	82	+3

TABLE 2: TRANSFER OF OUTLETS FROM FRANCHISEE TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR (FISCAL) YEARS 2023 TO 2025

State	Year	Number of Transfers
South Carolina	2023	0
	2024	0
	2025	1
Washington	2023	0
	2024	0
	2025	1
Total	2023	0
	2024	0
	2025	2

TABLE 3: STATUS OF FRANCHISED OUTLETS FOR (FISCAL) YEARS 2023 TO 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by franchisor	Ceased operations other reasons	Outlets at End of Year
Alabama	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Arizona	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
California	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	1	0	3
	2025	3	0	0	0	0	0	3
Colorado	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Florida	2023	7	1	0	0	1	1	6
	2024	6	0	1	0	0	0	5
	2025	5	1	0	0	0	0	6
Georgia	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Hawaii	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
Idaho	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Illinois	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by franchisor	Ceased operations other reasons	Outlets at End of Year
Iowa	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Kansas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	1	1
Kentucky	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Michigan	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Minnesota	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Missouri	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Nebraska	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Nevada	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
New Jersey	2023	1	0	1	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
New York	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by franchisor	Ceased operations other reasons	Outlets at End of Year
North Carolina	2023	2	0	0	0	0	1	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
North Dakota	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Ohio	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Oklahoma	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Oregon	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	2	1	0	0	0	3
Pennsylvania	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
South Carolina	2023	4	1	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	1	4
Tennessee	2023	3	2	0	0	0	0	5
	2024	5	0	0	0	0	1	4
	2025	4	0	0	0	0	0	4
Texas	2023	3	1	0	0	0	0	4
	2024	4	1	0	0	0	0	5
	2025	5	0	1	0	0	0	4
Utah	2023	3	0	0	0	0	0	3
	2024	3	1	0	0	0	0	4
	2025	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by franchisor	Ceased operations other reasons	Outlets at End of Year
Virginia	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Washington	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	2	1	0	0	0	4
Wisconsin	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Totals	2023	53	7	2	0	1	2	55
	2024	55	6	1	0	1	2	57
	2025	57	8	3	0	0	2	60

TABLE 4: STATUS OF COMPANY OUTLETS FOR YEARS 2023 TO 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets re-acquired from franchisee	Outlets closed	Outlets sold to franchisee	Outlets at End of Year
Arizona	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
California	2023	1	0	0	0	0	1
	2024	1	1	1	0	0	3
	2025	3	0	0	0	0	3
Colorado	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
Florida	2023	1	0	1	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Outlets re-acquired from franchisee	Outlets closed	Outlets sold to franchisee	Outlets at End of Year
Indiana	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Minnesota	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Missouri	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
North Carolina	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
Oklahoma	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Pennsylvania	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Texas	2023	3	0	0	0	1	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
Utah	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	0	2
Virginia	2023	2	0	0	1	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Washington	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Totals	2023	21	0	1	1	1	20
	2024	20	1	1	0	0	22
	2025	22	0	0	0	0	22

TABLE 5: PROJECTED OPENINGS AS OF DECEMBER 31, 2025 (LAST DAY OF FISCAL YEAR)

State	Franchise agreements signed but outlet not opened	Projected new franchised outlets in the next fiscal year	Projected new company-owned outlets in the next fiscal year
California	0	1	0
Connecticut	0	0	1
Colorado	0	1	0
Florida	0	1	0
Indiana	0	1	0
Minnesota	0	1	0
Massachusetts	1	0	0
North Carolina	0	1	0
Virginia	0	1	0
Washington	2	0	0
Wisconsin	1	0	0
Totals	4	7	1

Attached as Exhibit D is a list of the names, addresses, and telephone numbers of all current franchisees. Five franchisees had their franchise rights terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the previous calendar year. Two franchisees transferred their franchises to new owners. The names, city and state and business (or, if unknown, home) telephone number or email address for every franchisee who ceased doing business under the franchise agreement or had an outlet terminated, canceled, or not renewed within the last fiscal year is listed on Exhibit D. No franchisee has not communicated with us or our representative within the last 10 week period.

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

In some instances, current and former franchisees sign provisions restricting their ability to speak only about their experience with ZEROREZ. 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.

Franchisee Associations

We have created and support the ZEROREZ FAC, which consists of four representative franchisees, elected for a two or three-year term by our franchisees and one ZEROREZ appointed corporate representative. The FAC can be contacted as follows:

Benjamin Hulme, Chairperson
772 East Utah Valley Drive, Suite 120
American Fork, Utah 84003
(801) 443-1034

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit C to this Disclosure Document are audited financial statements of our affiliate and parent, Zerorez, Inc. as of and for the years ended December 31, 2023, December 31, 2024, and December 31, 2025 are included. Separate stand-alone audited financial statements of Zerorez Franchising Systems, Inc. are NOT included in this Disclosure Document. Should we fail to fulfill our obligations to our franchisees, Zerorez, Inc. absolutely and unconditionally guarantees to fulfill those obligations. A copy of the written guarantee is attached as Exhibit E.

ITEM 22. CONTRACTS

Exhibit B of this Disclosure Document is the ZEROREZ Franchise Agreement, including the applicable Schedules.

Schedule A: Operating Territory, Initial Franchise Fee, Minimum Royalty Fee and Development Obligations
Schedule A-1: Operating Territory Map
Schedule B: List of Partners, Owners and Shareholders of Franchisee Owning more than 10% of Franchisee
Schedule C: Authorization Agreement for Prearranged Payments (Direct Debits)
Schedule D: Guaranty
Schedule E: Confidentiality Agreement

By signing the Franchise Agreement, you will acknowledge certain facts pertaining to the offer of this franchise. The acknowledgements are listed in Section 16 of the Franchise Agreement. 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.

ITEM 23. RECEIPT

The two pages of this Disclosure Document (Exhibit H) are a detachable document prepared in duplicate, acknowledging receipt of the Disclosure Document by the prospective franchisee. You must sign both copies. Keep one copy for your records. Please return the other copy to us by mailing it to ZEROREZ Franchising Systems, Inc., at 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003, or by emailing a copy of the signed receipt to clawrence@zerorez.com.

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EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states).

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation	320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2744
Illinois (State Administrator)	Illinois Attorney General Franchise Bureau	500 South Second Street Springfield, IL 62701 (217) 782-4465
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204 (317) 232-6681
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E111 Indianapolis, IN 46204 (317) 232-6681
Maryland (State Administrator)	Office of the Attorney General Securities Division	200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6300
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place 20th Floor Baltimore, MD 21202-2020 (410) 576-6360
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section	Williams Building, 7th Floor 525 West Ottawa Street Lansing, MI 48909 (517) 335-7567
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street 21st floor New York, NY 10005 (212) 416-8222
New York (Agent)	Secretary of State	99 Washington Avenue Albany, NY 12231
North Dakota (State Administrator)	North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 5th Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712
North Dakota (Agent)	Securities Commissioner	600 East Boulevard Avenue, State Capitol, 14th Floor Bismarck, ND 58505-0510 (701) 328-4712
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue Building 69-2 Cranston, RI 02920 (401) 462-9500
South Dakota	Division of Insurance Securities Regulation	124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
Virginia (State Administrator)	Virginia State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219-3630 (804) 371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington (State Administrator)	Department of Financial Institutions Securities Division	Securities Division Department of Financial Institutions PO Box 41200 Olympia, WA 98504-1200
Washington (Agent)	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 (877) 746-4334
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, 4th Floor Madison, WI 53705-9100 (608) 261-9555

EXHIBIT B

FRANCHISE AGREEMENT

ZEROREZ FRANCHISING SYSTEMS, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this **"Agreement"**) is between ZEROREZ, Franchising Systems, Inc. (hereinafter referred to interchangeably as **"Franchisor"**, the **"Company"**, **"ZEROREZ"**, **"us"** or **"we"**), a Delaware corporation, with its principal place of business located at 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003, and _____ d/b/a Zerorez of _____ ("**Franchisee**" or "**you**"), a (n) _____, whose principal address is _____ made and entered into effective the ___ day of _____, of the year 202__ (the "**Effective Date**").

RECITALS

A. The Company has the right, through an exclusive, perpetual license agreement to utilize and license certain trademarks, service marks, logos, commercial symbols and such other names and marks as it may designate, or at a later time register, license or designate (collectively, the "**Marks**") that relate to the operation of a Zerorez branded franchise and are used by us in identifying, promoting, advertising, and marketing various floor and fabric care services;

B. The Company has expended considerable time, effort and money in developing a distinctive business format and methodology for the operation of a floor and fabric care business that uses the Marks, methods of operation and management, brand standards, specifications, confidential information, procedures, record keeping techniques, materials and Manuals (hereinafter referred to as the **"System"**); all of which is subject to change, improvement, and further development from time to time by the Company.

C. You are granted a license to operate a Franchised Business (as defined below) and to use the System because of your commitment to abide by the procedures, policies, rules and regulations associated with a ZEROREZ franchise and to conform your Franchised Business to the System.

D. As a franchisee, you are bound to operate your franchise in accordance with the System as it now exists and as it may change from time to time.

E. The parties intend for this Agreement to be implemented in a fair and reasonable manner and that all of its provisions be interpreted accordingly and consistently applied in a commercially reasonable manner designed to increase the quality and profitability of the products and services offered, and that the recitals set forth herein be mutually binding upon the parties.

1. GRANT AND TERM

1.1. Grant of License

Subject to all the terms and conditions of this Agreement, the Company hereby grants to you an exclusive right to conduct and operate a ZEROREZ business for residential customers which means any individual who contracts for Services to be performed at a

residential dwelling unit used primarily as a personal residence, where the customer is acting in a personal (non-commercial) capacity ("**Residential Customers**") using the System, Marks, and the Company's distinctive methods of operation (the "**Franchised Business**") within, and only within, the area described in Schedule A attached hereto (the "**Operating Territory**"). For the avoidance of doubt, Residential Customers do not include any customer who lives at a property for which the landlord, property manager, or similar party has entered into a commercial agreement with Company or with another Zerorez commercial franchisee to receive the Services.

You are also granted the non-exclusive, revokable right to provide services to all businesses and other customers and accounts that are not Residential Customers (collectively, "**Commercial Customers**"), which include but are not limited to commercial carpet and surface cleaning, commercial air duct cleaning and commercial janitorial services ("**Commercial Services**"), within your Operating Territory.

Subject to the limitations in this Section 1, you also have the non-exclusive right to provide the ZEROREZ services and Commercial Services (including to Residential Customers and Commercial Customers) outside your Operating Territory and within your general market area, provided that the location of the services to be provided is not within the Operating Territory of one of our corporate-owned locations ("**Corporate Base**") or any other ZEROREZ franchisee (residential or commercial). If you receive a request for to provide ZEROREZ services outside Your Operating Territory and within the operating territory of another ZEROREZ franchisee or Corporate Base, you must refer the request to the ZEROREZ franchisee or Corporate Base with rights to the territory and covering the type of services for which the service is requested. If the request is for ZEOREZ services inside the market area and outside any territory belonging to a ZEROREZ franchisee or a Corporate Base, then you may accept the job with the Company's prior approval, provided that you properly account for these Services as you would for any job in your Operating Territory. If, at any time, a Residential Customer or Commercial Customer later comes to be within the operating territory of any Corporate Base or ZEROREZ franchisee (residential or commercial), you must cease servicing such customer and refer the customer to the appropriate ZEROREZ business. If we grant a ZEROREZ business to another franchisee a commercial franchise or operate ourselves or through an affiliate a Corporate Base to provide Commercial Services covering your Operating Territory, you will be required to cease providing Commercial Services in your Operating Territory. All or a portion of your market area could be subject to territories of franchisees or Corporate Bases, in which case you may be limited to servicing Residential Customers in your Operating Territory.

Subject to the rights in Section 1.4, until the Company or an affiliate sells a franchise granting the right to provide ZEROREZ services to Commercial Customers ("**Commercial Franchises**") covering your Operating Territory and such franchisee is open for business, you will have the continued right to provide the Commercial Services within your Operating Territory only as strictly set forth herein. Once any such Commercial Franchise, however, is open for business you must transfer all Commercial Customers within such other franchisee's operating territory to such Commercial Franchise and no longer provide Commercial Services to such Commercial Customers. You will not receive any compensation from the Company or from the Commercial Franchise related to such transfer of customers.

Any disputes over the right to provide services to a customer will be determined by the Company in its sole discretion.

The Operating Territory is described on the map attached to Schedule A and is comprised of approximately _____ households. Depending on population densities and other factors, there may be more than one Operating Territory within any particular market, geographic region or location, each of which may be owned by a different ZEROREZ franchisee.

Notwithstanding the foregoing, if you fail to meet the development obligation set forth in Section 1.3 and Schedule A, we have the right to terminate this Agreement pursuant to Section 13.5.

1.2 Term

The term of this Agreement will begin on the Effective Date and shall continue for a period of ten (10) years (the **"Term"**). You may, subject to meeting all of the following conditions prior to such renewal, and with payment of a fee equal to $10,000 to renew your franchise, by signing our then-current Franchise Agreement, for one additional term of 10 years:

(a) You must give us written notice of your intent to renew not less than six (6) months or more than twelve (12) months prior to the expiration of the then-current Term, provided, however, that the Company will not terminate this Agreement at the end of the then-current term until it has given you written notice of its intention to terminate this Agreement at least fifteen (15) days prior to the end of the Term and you will have fifteen (15) days thereafter to renew and comply with the conditions set forth herein;

(b) You must not be in material violation of any provision of this Agreement or any amendment or any other agreement between you and the Company or its affiliates; and you shall have substantially complied with the terms and conditions of such agreements during the current term;

(c) You will have satisfied all monetary obligations owed by you to the Company and its affiliates;

(d) You will execute our then-current franchise agreement which may contain terms and conditions that are materially different from those in your original agreement, and which may include an increased royalty payment; and

(e) You will comply with the Company's then-current qualifications and training requirements.

1.2. Commitment to Develop Operating Territory

By granting you rights to the System and the Marks for the Operating Territory, you agree as follows:

(a) to use commercially reasonable efforts to develop demand for the services offered at your franchised business and to service your customers all in accordance with the standards and policies established by the Company, and, in furtherance of these efforts, to develop the Operating Territory by meeting the revenue per person ratio as set forth in Schedule A (the "**Development Obligation**");

(b) the Operating Territory is reasonable and sufficient in size and scope to support the Franchised Business;

(c) you have no rights to the System or Marks outside the Operating Territory or to Commercial Customers without the Company's express written consent; and

(d) you agree that the financial requirements for local, regional and national advertising as described in this Agreement are reasonable.

1.3. Reserved Rights

Notwithstanding the rights granted to you under this Agreement, the license granted under this Agreement is non-exclusive, and the Company and any affiliate retain for themselves the rights not expressly granted to you, in their sole reasonable discretion, including without limitation:

(a) to establish ourselves or through affiliates, and grant other franchisees or licensees or to the right to establish, Zerorez businesses anywhere outside the Operating Territory;

(b) To establish ourselves or through affiliates, and grant to other franchisees or licensees the right to provide services to Commercial Customers under the Marks within the Operating Territory;

(c) to market and sell products bearing the Marks which are similar to those offered through the Franchised Business through any and all potential distribution channels including, without limitation, distributors, dealers, retail outlets, and via e-commerce via the Internet or other electronic media, provided that the Company does so in a manner that is intended to benefit the Company's franchisees;

(d) to sell products bearing the Marks in retail stores such as supermarkets, floor covering stores, hardware stores or home centers, or other channels of distribution without regard to your Operating Territory, provided that we do so in a manner that is intended to benefit our franchisees;

(e) to promote and/or sell products and services via e-commerce or other electronic media if we determine that such sales will benefit the ZEROREZ System and/or Marks;

(f) to establish or acquire other franchise systems for similar or different products and services using different trademarks or service marks in your Operating Territory, or the operating territory belonging to any other ZEROREZ franchisee, so long as such other franchise systems are not directly competitive with the System;

(g) to develop, and to market and sell to commercial end users a portable carpet or fabric cleaning system;

(h) to establish Company-Acquired Accounts (as defined below) in any area, including the Operating Territory, and to service such Company-Acquired Accounts, including through the use of third parties who may be other franchisees, under the Marks in your Operating Territory, but only if you refuse to provide the services, are unable to provide the services or do not meet the vendor standards or requirements for the provisions of such services; and

(i) to enter into contracts or arrangements to provide products and/or license use of the patents and other technology used in operating a Zerorez franchise to governmental or quasi-governmental entities specifically for use in government contracts, including to government locations in your Operating Territory, for which franchisees would not qualify to provide services similar to those offered in this Agreement; provided that no services under any such arrangements would be offered using the Zerorez name or Marks.

1.4. Commercial Franchise Right of First Refusal

If the Company or an affiliate during the Term, begins offering Commercial Franchises, the Company will provide you notice of such intent in advance of such offering ("**Commercial Franchise Notice**"). The Commercial Franchise Notice will include a date on which the Company intends to begin offering Commercial Franchises (the "**Offer Date**"). Beginning on the Offer Date and for a period of six months thereafter (the "**Offer Period**"), you will have a right of first refusal to purchase from the Company or its affiliate a Commercial Franchise with rights to your Operating Territory (the "**Commercial ROFR**"). If you exercise the Commercial ROFR within the Offer Period, you will not be required to pay an initial franchise fee for such franchise, provided that at least 5% of your Gross Sales in the 12-month period immediately preceding the Commercial Franchise Notice date consists of revenue from Commercial Customers. You will also be solely responsible for all other costs related to the startup and operation of the Commercial Franchise, including costs to provide services that may be in addition to or different from the ZEROREZ services. You will also be required to enter into a Zerorez Commercial Franchise agreement, which will contain development obligations specific to Commercial Services provided in your Operating Territory and may contain provisions that are materially different than those in the Franchise Agreement.

If you choose not to exercise the Commercial ROFR and have not entered into a franchise agreement with the Company for the Commercial Franchise by the end of the Offer Period (provided that Company is properly registered and able to sell such franchises, and if not, such period will be extended accordingly), the Company will have the right to sell a Commercial Franchise for your Operating Territory or any portion thereof to any third party at any time.

2. FEES

2.1. Initial Franchise Fee

Upon execution of this Agreement, you will pay to the Company the initial franchise fee equal to (i) $30,000 for an Operating Territory with households up to 60,000, as determined by the most recent U.S. Census (the "**Census**"); or (ii) $15,000 if your Operating Territory has 30,000 or less households (a "**Hometown Market**"), less any applicable discounts (the "**Initial Franchise Fee**"). The Company has sole discretion to determine each Operating Territory, which will be predetermined based on geography,

demographics, and other factors that may impact the potential success of each of our franchisees.

The Initial Franchise Fee is non-refundable.

2.2. Zr Ware Startup Fee

Upon execution of this Agreement, you will pay to the Company, a fee of $1,500 for the initial right to access and use Zr Ware (as defined in Section 5.11) (the "**Zr Ware Startup Fee**"). The Zr Ware Startup Fee is non-refundable.

2.3. Zr Ware Technology Fee

For the entire Term of this Agreement, you agree to pay to the company a monthly technology fee equal to 2.25% of the Franchised Businesses Gross Sales (the "**Technology Fee**"). The Technology Fee may increase by up to 0.5% per year during the Term. The Technology Fee allows you to use Zr Ware for the Term of this Agreement and includes the cost of maintaining and upgrading Zr Ware.

The Technology Fee is due and payable to the Company on or before the 15th day of each calendar month based upon the Gross Sales during the preceding calendar month.

2.4. Royalty

For the entire Term of this Agreement, you agree to pay the Company a monthly royalty fee equal to:

(a) for Operating Territories with 30,000 households or more, the greater of six percent (6%) of the Franchised Business's Gross Sales (as defined below) or the minimum monthly royalty fee as set forth on Schedule A.

(b) for Operating Territories with less than 30,000 households the minimum royalty fee as set forth on Schedule A. If you provide services outside your Operating territory, Gross Sales generated in this territory shall be subject to a royalty of six percent (6%) of the Franchised Business's Gross Sales.

If you received an existing business discount off the Initial Franchise Fee, the minimum monthly royalty fee set forth on Schedule A will not apply and you will pay 6% of Gross Sales unless you are a Hometown Market franchise, in which case, the monthly royalty will be $750 per month for the entire Term of this Agreement. If your state, or any governmental body in your state, charges the Company a tax or any other financial encumbrance on any royalty fees received by the Company from you, you agree to pay an additional amount to the Company equal to the amount of such tax. This additional amount does not apply to any federal income tax payable by the Company due to your payment of royalty fees.

Royalty fees are due and payable to the Company on or before the 15th day of each calendar month based upon the Gross Sales during the preceding calendar month.

2.5. Gross Sales

"Gross Sales" shall mean the aggregate gross amount of all revenues from whatever source derived (whether in the form of cash, credit, check, agreements to pay, or other consideration including the actual value of any goods or services traded, bartered, or otherwise received by you in exchange for any form of non-monetary consideration, and whether or not payment is received at the time of service) that arise from or are derived by you or by any other person from business conducted or which originated in, on, from, or through the Franchised Business, including any and all activities undertaken by you or any agent, employee, or representative dealing with the Franchised Business and any expansion thereof as designated by Franchisor, whether such business is conducted in compliance with or in violation of the terms of the Agreement. Gross Sales include products and services sold to customers within and outside the Operating Territory, pursuant to the terms in Section 1.1(a). Gross Sales do not include:

(a) sales tax or other tax receipts, the collection of which is required by law; or

(b) refunds, allowances, adjustments or credits actually made by the Franchised Business.

2.6. Monthly and Annual Statements

No later than the 15th day of each month after commencing operation of the Franchised Business you agree to deliver to the Company a profit and loss statement for the preceding month in the exact format we prescribe, and a monthly financial statement itemizing the Gross Sales, number of jobs completed and number of re-cleans during such month, and such other sales information as the Company may reasonably require and in a manner as may be specified from time to time by the Company, signed by you as certification of the accuracy of the information set forth therein. The Company has the right to require such statements to be submitted electronically via email or automatic submittal from the operations software. In the case of electronic submission of statements, a printed statement is not required with the timely payment of royalties due and payable. The Company and the Board may alter the requirements of this section should these requirements prove to be onerous or unreasonable. Within thirty (30) days of your calendar year-end, you agree to remit to us an annual financial statement that will include a profit and loss statement and balance sheet.

2.7. Non-Compliance Fee

You acknowledge the importance of operating in full compliance with this Agreement, the System, as may be modified and revised from time to time by the Company in its sole discretion, and that your deviation from any contractual requirement, an "**Infraction**", including any System standard, is a violation of this Agreement and requires the Company to incur additional administrative and management costs to address the violation. Upon finding an Infraction, Company will provide you written notice of such infraction and grant you ten (10) business days to cure such Infraction ("**Cure Period**"). If you are unable to cure the Infraction during the Cure Period, you must submit a Plan to Cure to the Company for approval during the Cure Period which includes a new proposed Cure Period ("**New Cure Period**"). Upon written approval from Company, you will be granted the New Cure Period. Following the aforementioned Cure Period or New Cure Period, you agree to pay the Company a fee of $100 per day for each Infraction, including any System standard, plus the Company's actual, reasonable expenses incurred, if applicable (the "**Non-Compliance Fee**"). You acknowledge that the Non-Compliance Fee is a reasonable estimate of the Company's administrative and

management costs incurred. Non-Compliance Fees are due and payable to the Company within five days after you are notified that the Company is charging the Non-Compliance Fee due to your violation and bills you for such fee. Charging the Non-Compliance Fee does not preclude the Company from seeking any other relief available under applicable law, including but not limited to, recovering additional damages not related to the Company's additional administrative expenses, defaulting you and terminating this Agreement, or exercising any of its other rights under this Agreement.

2.8. Late Fees and Interest on Overdue Accounts

You agree that all royalty payments are due and owing by the 15th of each month. If we do not receive your royalty payment, by the 20th of each month, we will assess a late penalty in the amount of two percent (2%) on the amount of the royalty payment due and payable for that billing cycle (the **"Late Fee"**). If you do remit your royalty payment by the 30th day of each monthly billing cycle, in addition to the Late Fee, we will assess interest on the entire amount owing for that specific billing cycle at the rate of two percent (2%) per month (or twenty-four percent (24%) per annum) or the highest amount allowed under applicable law, whichever is less (the **"Interest Charge"**). The Interest Charge will continue to accrue on any portion of a royalty payment that is more than thirty (30) days in arrears, until such delinquent royalty payment is paid in full, including payment of the Late Fee.

2.9. Automatic Transfer

You are required to pay any and all royalties due under this Agreement by electronic funds transfer, and you agree to perform such acts, and sign and deliver such documents as are necessary to implement such a payment program, including but not limited to the Authorization Agreement attached hereto as Schedule C. You further agree to make the required funds available for withdrawal on or before the designated payment dates.

3. COMMENCEMENT OF BUSINESS

You will not commence business, and you will not be considered to be in full compliance with the terms and conditions of this Agreement, until you and your agents, as designated in the reasonable discretion of the Company (hereinafter referred to as "**Designated Franchisee Trainees**"), successfully complete the Company's initial training program, as described in Section 4. You will establish business premises within the Operating Territory for the Franchised Business, which may be in a residence so long as allowed by local zoning regulations. You agree to commence offering services and products for sale to the public within the Operating Territory as soon as possible after the Effective Date, but in any event not later than seventy-five (75) days after the completion of the Company's initial training program, unless otherwise agreed in writing by the Company. This Agreement may be terminated for your failure to commence your Franchised Business as required herein. You agree that time is of the essence in the opening of the Franchised Business.

4. TRAINING AND OPERATING ASSISTANCE

4.1. Training

Prior to the commencement of your Franchised Business, we will furnish initial training on the operation of a ZEROREZ franchise to you and one or more Designated Franchisee Trainees, all of whom must complete the training. Initial training for you and up to one (1) Designated Franchisee Trainee is included in the Initial Franchise Fee or up to two (2) individuals total. The Company reserves the right to charge a fee for the training of additional individuals. The training program shall be comprised of both in field training and classroom sessions which take place at our headquarters or at a location designated by us. Each Designated Franchisee Trainee is required to complete the entire training program to our satisfaction. If we determine that a Designated Franchisee Trainee is unable to satisfactorily complete the initial training program, you will be allowed to designate an alternate trainee to successfully complete the initial training program. After completing such training, your Designated Franchisee Trainees will be responsible for training all non-managerial employees you hire to work in your Franchise Business. We may provide such training, at your expense, if you request such in writing and we are able to meet your request. All new or successor general managers must also complete our initial training program. You will be responsible for the expenses your Designated Franchisee Trainees incur while attending any initial training program including transportation, lodging, meals, and compensation, if any. During the term of this Agreement, we may require the Designated Franchisee Trainees and previously trained Designated Franchisee Trainees to attend additional training courses at your expense either via the Internet or at such locations and times as we may designate. We reserve the right to charge reasonable fees for these new or refresher courses.

This training program is offered and operated under our direction at our headquarters facility, currently in American Fork, Utah, and on-site or at another location designated by us.

4.2. Employees

You will hire all employees in connection with your Franchised Business, including but not limited to management, clerical, sales, and service personnel, and be exclusively responsible for the terms of their employment and compensation. You will not employ anyone who refuses or fails to satisfactorily complete the training program conducted by you or us. You will not employ or continue to employ anyone who refuses to grant permission for or fails to meet our standards after a criminal background, "**failed**" being defined in this case as any background check which shows a record containing any violent, sexual or theft-related crimes in the prior ten (10) years. All of your employees charged with day-to-day operational management responsibility for the Franchised Business (including, but not limited to, your general managers) must be trained by us pursuant to Section 4.1 hereof. All of your employees must execute a confidentiality agreement substantially in the form attached as Schedule E to this Agreement, which requires them to maintain the confidential nature of our trade secrets, confidential and proprietary information, and System, as defined below, during the term of their employment and thereafter. You must inform us in writing promptly upon the termination of employment of any management personnel. With respect to your employees, during the Term, including any renewals thereof, you will abide by all employment laws, rules and regulations required by the federal government and the state government in the

Operating Territory, and you hereby agree to indemnify and hold us harmless for any breach of these obligations. Furthermore, at all times, you will ensure that you and your employees are in compliance with the tax laws promulgated by the Internal Revenue Service, the United States government and the laws of the State(s) that comprise the Operating Territory.

4.3. Confidential Brand Standards Manuals

At an appropriate point in the training program, we will provide you access to our confidential brand standards manuals ("**Manuals"**). Any portion of the Manuals containing information necessary for you to complete portions of training prior to your arrival at our headquarters will be provided as needed. For purposes of this Agreement, the Manuals, which may be one or more separate manuals, also includes alternative or supplemental means of communicating such information by other media, including bulletins, e-mails, and other forms of electronic media. You understand and agree that we may, from time to time, change, delete, and/or add to the contents of the Manuals for the purpose of maintaining, improving, modifying, supplementing or enforcing the System. We are required to communicate such changes in electronic format only. You will take the necessary steps to ensure the security of the Manuals and not disclose its contents.

You understand that it is necessary for you to comply strictly with the Manuals since it will regulate one or more of the following areas pertaining to your Franchised Business:

(a) required or authorized products and services;

(b) advertising, marketing, sales and promotional programs, and materials and media used in such programs;

(c) specifications and standards for cleaning supplies, equipment, machinery, chemicals and office supplies, including the specifications for location and plumbing connections required for the installation of the cleaning solution generator;

(d) terms and conditions of the sale and delivery of services;

(e) service vehicle specifications;

(f) staffing recommendations;

(g) hours of operation;

(h) employee training requirements;

(i) insurance coverage requirements;

(j) accounting system requirements, including the format, content and frequency of financial and performance reports to us;

(k) computer software requirements and specifications;

(l) designated or approved suppliers; and

(m) inspections to be performed by us.

The Manuals are the exclusive property of the Company and are not to be reproduced by you or your employees or agents. The Manuals shall not have the effect of changing any provisions of this Agreement or any renewal Agreement and shall not directly or indirectly require you to pay any greater fees to us greater than are required to be paid under this Agreement, and it shall not reduce or impair any of your essential rights hereunder. In the event of any conflict between the Manuals and this Agreement, this Agreement shall control.

4.4. General Guidance

At no additional cost to you, we will, at our option, furnish you with advice and assistance in connection with the operation of your Franchise Business. The areas in which we may provide guidance to you include:

(a) the operation of vehicles and equipment;

(b) cleaning methods and procedures;

(c) advertising and promotional programs;

(d) conducting an annual conference for all franchisees, for which there will be no charge for up to four individuals to attend. You will, however, be responsible for the travel, lodging and food expenses for each individual attending while attending the annual conference, except for the meals that Franchisor may provide during the conference;

(e) purchasing additional vehicles, equipment, supplies and/or materials.

This discretionary assistance may be furnished through a number of sources including the Manuals, electronic communications including e-mail and postings to our private Intranet site, written directives and bulletins, telephone support, and personal consultations at our headquarters or your business premises. You acknowledge and agree that various means of communication (e.g., electronic communication) may require you to incur expenses for communication technology, including hardware, software and access fees. At our discretion we may have one or more of our field representatives visit your location within three months of when you begin operation of your ZEROREZ business. Should you specifically request that we provide consultation in addition to the initial visit, we will provide such in any manner we feel will best benefit your Franchised Business, which may include sending a team of Zerorez professionals to work with your employees for a designated period of time. We reserve the right to charge per diem fees and other charges, including but not limited to retention of revenues generated by our personnel in your Operating Territory during such additional training periods. We may also require you to reimburse us for the travel and living expenses of our personnel.

4.5. Sale and Approval of Items

The Company and its affiliates reserve the right to, directly or indirectly, by virtue of our own distribution or arrangements with third-party suppliers, sell to you approved floor and fabric care equipment, supplies, uniforms, decals, chemicals, materials, forms,

promotional and advertising materials. You understand that the Company and/or its affiliates may mark up the price for these items, or receive a rebate from items purchased from third-party suppliers, so that the Company and its affiliates may receive a reasonable profit.

5. OPERATING STANDARDS AND SERVICES

5.1. Services

You will provide to customers within your Operating Territory carpet, floor, fabric care, living surfaces, and restorative cleaning services, including upholstery, fabrics, and hard surfaces floors. You may provide other services if authorized by Company, in writing, including without limitation air duct cleaning, air filter services, and other services as determined by the Company. All services, as authorized by Company, will be performed in accordance with all procedures, policies and guidelines specified by the Company.

5.2. Supplies and Materials

You will use only equipment, machinery, cleaning supplies, cleaning solutions, materials, containers, uniforms, forms, and products approved by the Company as meeting our standards and specifications. If you propose to use any item not previously approved by us, you shall submit or have the proposed vendor submit to the Company upon our request, sufficient specifications, samples, photographs and/or other information we request to provide for sufficient examination and testing for us to determine whether the item and its proposed supplier meet the Company's specifications, qualifications, and standards. We reserve the right to require you or the proposed vendor to reimburse the Company for the reasonable costs of investigating the proposed item and vendor. Our determination as to whether the item vendor meets our specifications, qualifications and standards is final. We reserve the right to limit the number of vendors to achieve volume pricing for the benefit of the ZERO REZ System.

5.3. Equipment Systems

Before you commence your Franchised Business, you will be required to obtain the ZERO REZ equipment package for your Franchised Business from sources that are acceptable to the Company. The ZERO REZ equipment package consists of those items specified during training which may change from time to time in our sole discretion which allow you to produce our required alkaline cleaning solution ("**Zr Water**"). Regardless of whether you choose an equipment package with the mineralized water concentrate or an electrolyzed reduced water generator ("**ERW Generator**"), you must purchase these items only from approved third-party vendors. The terms of purchase and the warranty attached to your specific ERW Generator will vary depending on the ERW Generator you purchase and from which third-party vendor you purchase your ERW Generator. We require that you fulfill all obligations required under the purchase of your ERW Generator. You must notify us as to the third-party vendor that supplies your ERW Generator and the terms and conditions of your purchase. You must use Zr Water in your operations that meets our standards as outlined in training. Failure to use such Zr Water or maintain the Zr Water according to our required specifications set forth in the Manuals constitutes a violation of this Agreement.

5.4. Standards of Service

You and your employees will give prompt, courteous, and efficient service to all customers. In all your dealings with customers, suppliers and the public, you and your employees will adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct and adhere to all service and advertising guidelines promulgated to all franchisees by us. All advertising and promotion of the Franchised Business, including the products and services offered, will be in strict compliance with the standards established by the Company, shall be completely factual, and shall conform to the highest standards of ethical advertising. You agree to refrain from any business or advertising practice(s) that may damage, injure or harm the Company, the goodwill associated with other ZEROREZ franchisees, the System, or the Marks. You agree not to deviate from the Brand Standards set by the Company for Franchised Business' operation. You shall guarantee your and your employees' services and respond promptly to all inquiries and complaints in order to achieve customer satisfaction. If in the Company's opinion it becomes necessary or appropriate for us to enter a customer's premises to inspect or correct your work, you shall reimburse us for the costs associated with such inspections or corrections within thirty (30) days of the issuance of our invoice for such costs. You acknowledge and agree that you are prohibited from subcontracting your responsibilities hereunder or the services you provide in connection with your Franchise Business without our written consent.

5.5. System Standards

You understand that your operation of the Franchised Business in accordance with the System is essential to preserve the unique qualities and aspects of the ZEROREZ franchise and the Marks and services to benefit all ZEROREZ franchisees, including you. Therefore, during the Term of this Agreement, you agree to operate the Franchise Business in accordance with the System and to comply with all of the Company's specifications, standards, and operating procedures relating to the operation of the Franchised Business including, without limitation to the following, all of which the Company reserves the right to enforce and apply specific remedies for the violation thereof (including, but not limited to termination of this Agreement) as contained herein:

(a) methods and procedures for providing cleaning services;

(b) the safety, maintenance, cleanliness, sanitation, function and appearance of your vehicles, equipment, accessories and signs;

(c) requirements for the uniforms worn by, and the general appearance of, you and your employees;

(d) the use of the Marks;

(e) sales, marketing, advertising and promotional programs;

(f) materials such as signs, posters, displays, brochures, flyers, forms, stationery, and other similar items;

(g) the identification of your business as a franchisee of the Company and a licensed user of the Marks;

(h) designated or approved suppliers, which may include the Company and/or its affiliates;

(i) terms and conditions of the sale and delivery of products and services that you obtain from the Company, its affiliates, and/or unaffiliated suppliers;

(j) bookkeeping, data processing, accounting, and record keeping systems, reports and forms, including the format, content and frequency of reports to us;

(k) complying with applicable laws including, without limitation, obtaining required licenses and permits applicable to Franchised Business or any technology used in the operation of the Franchised Business, including all data protection, privacy and security laws as well as payment card industry (PCI) compliance, as such standards and requirements may change from time to time;

(l) complying, without limitation, with all applicable environmental laws and regulations relating to the securing, possession, filing with one or more government agency, proper display, and employee notification regarding Material Safety Data Sheets, as well as the proper disposal of solutions and waste water related to the operation of the Franchised Business;

(m) verifying that you and any services, service providers or vendors you use in the operation of the Franchised Business are in compliance with the Company's privacy policy and terms and conditions set forth on the Company's website, as may be amended at the Company's sole discretion; and

(n) offering all products and services that we designate as a part of a ZEROREZ franchise.

5.6. Additional Responsibilities

You specifically covenant and agree, the violation of which be enforced by the Company and may result in termination of this Agreement:

(a) to operate your Franchised Business using only the trade name approved by the Company, and to display prominently such name on all forms, uniforms, stationery, and related materials used with the Franchised Business, and to obtain and maintain a "Certificate of Fictitious Name" for such trade name as and if required by local law in the city, county, or state where your Franchised Business is located;

(b) to permit our agents, and us at all reasonable times, to inspect your operations as provided in Section 10.2 hereof. You shall cooperate with our representatives and render assistance to the Company as may be reasonably requested;

(c) to adopt, use, and display for the purposes of this Agreement any changes or modifications to the System, that we may implement from time to time and that are commercially reasonable, as if they were part of the System as of the Effective Date;

(d) to post in a conspicuous place at your business premises a notice with the following words: **"This ZEROREZ franchise is independently owned and operated under license from ZEROREZ Franchising Systems, Inc."** You agree that your invoices, purchase orders, marketing materials, and brochures will contain a similar a statement notifying the public that your Franchised Business is independently owned and operated under a license from the Company;

(e) to establish and maintain at your own expense a bookkeeping, accounting, record keeping, and records retention system covering the Franchised Business, separate and distinct from any other business or personal records you may maintain;

(f) to provide the Company in a manner in which we prescribe, monthly financial statements and annual financial statements relating to the Franchised Business prepared in accordance with generally accepted accounting principles consistently applied and certified by you to be complete and accurate, including balance sheets, income statements, and changes in cash position, all of which will be kept confidential by the Company;

(g) to ensure that your principal owner and your general manager or base manager(s) complete the initial training in the operation of the Franchised Business to the Company's satisfaction. Additionally, you agree to ensure that those individuals who are trained in accordance with Section 4.1 will be responsible for training your other employees. If the Company offers periodic refresher training courses, you agree to have your employees, as designated by the Company, attend at your expense, such additional training. You acknowledge that you shall be responsible for the travel, living expenses and per diem charges for your personnel who attend any training provided by the Company;

(h) to be solely responsible for the hiring, firing and promotion of your employees, the payment of all payroll taxes and the compliance with all statutes, regulations, and ordinances relating to the employment of employees. The Company shall have no control over the terms and conditions of your employees' employment;

(i) to fulfill your requirement to fully develop the potential of the Franchised Business in the Operating Territory, by having available a sufficient number of vehicles (each a "**Mobile Unit**") and equipment to service promptly and adequately all customers within the Operating Territory;

(j) to sign, contemporaneously with the execution of this Agreement or at such subsequent time as requested by us, such release and transfer documents as we may require to authorize us to transfer the advertised telephone numbers of your Business upon any termination or expiration (without renewal) of this Agreement. If, during the Term, the telephone numbers for your Franchised Business should be transferred to someone other than us, you will cooperate with us to ensure they are returned to us;

(k) to answer your telephones (at a minimum) between 8:00 am and 6:00 p.m. Monday through Friday, and between 8:00 am and 4:00 p.m. on Saturdays, except during holidays and periods when it is impossible, impracticable or commercially unreasonably to do so. As to this Section 5.6(k), the Company reserves the right to enforce this provision only if it receives evidence that your customers in the Operating Territory are being serviced poorly or if your operating revenues are below the minimum gross revenue average of other franchisees similarly situated; and

(l) to dispose of all the System's waste water properly and in accordance with local laws and regulations. Under no circumstances can the System's waste water be disposed of in a public place.

5.7. Prices Determined by You

The Company may from time to time advise or offer guidance to you concerning suggested prices and charges for the products and services. You are not obligated to accept any such advice or guidance, and you have the right to determine the prices you charge without interference from us, except with respect to Company-Acquired Accounts as provided in Section 5.12.

5.8. Management, Conflicting and Competing Interests

The Franchised Business must be under the direct supervision of one or more managers fully trained by the Company. You agree that you will faithfully and diligently perform your obligations hereunder, in that a fully trained management employee will continuously exert his or her full-time attention, energy, and commercially reasonable efforts to promote and enhance the Franchised Business, and that you will not engage in any business or other activity that will conflict with your obligations under this Agreement. You acknowledge that the operation of a ZEROREZ franchise is a full-time occupation. Therefore, you agree that neither you nor any principal owner will have any interest as an owner (except as publicly traded securities), lender, director, officer, employee, consultant, representative, agent, or any other such capacity in any other business that competes with the Franchised Business (except another ZEROREZ franchise) during the term of this Agreement without the express written consent of the Company.

5.9. Vehicles

All vehicles, including the Mobile Units, used with the Franchised Business must meet the Company's specifications including, without limitation, make, model, size, color, decals and appearance.

5.10. Computer Systems

We may require you to purchase, lease or upgrade, at your expense, such computer hardware and software, dedicated telephone, Internet Service Provider, modems, printers, and other computer-related accessories or peripheral equipment as reasonably required from time to time in the Manuals for various required or recommended functions, such as including recording and reporting Gross Sales, intranet communications system, online and in-business training, product and supply orders via the Internet from us, any of our affiliates or vendors, consumer scheduling of inspections or service appointments via the Internet, or online or telephone line connections to equipment/machinery. You must use computers, Internet connections, printers and other hardware that meet our specifications and that integrate with Zr Ware, in order to facilitate companywide customer relationship management scheduling and accounting.

5.11. Zr Ware

You will obtain a proprietary license from the Company for the use of Zr Ware and will use Zr Ware during the Term in operating the Franchised Business. The software platforms, features, and other components of Zr Ware may be changed by the Company at any time upon notice to you. The Technology Fee covers the maintenance and upgrades for Zr Ware. As of the Effective Date, Zr Ware provides you access the Company’s customer relationship management (CRM) system; schedule route dispatch;

a net promoter score (NPS) platform; access to a payment processing platform; transactional text messaging; marketing email management; unlimited technician access to the Zerorez mobile application; access to and use of the Zerorez 800 number; up to three Google Workspace email accounts; and a learning management system which includes one license to Franklin Covey All-Access Pass. The Technology Fee covers the usage and maintenance of these programs.

5.12. Company-Acquired Accounts

We may, at our option, enter into agreements to provide or accept services for third-party companies on a national or regional basis (**"Company-Acquired Accounts"**). Company-Acquired Accounts may be any Commercial Customer. Company-Acquired Accounts may lead to high volume and, in some situations, discount pricing. You are granted the first right of refusal to provide services to Company-Acquired Accounts in your Operating Territory at the pricing established by the Company. If you refuse to service the Company-Acquired Account or do not meet the standards or requirements established by the vendor of such Company-Acquired Account, the Company has the right but not the obligation to service the Company-Acquired Account or hire a third party to service the Company-Acquired Account on its behalf, which third party may be another franchisee. In negotiating pricing schedules on Company-Acquired Accounts, the Company will negotiate in good faith on behalf of all of the franchisees. Company Acquired Accounts are subject to the limitations related to Commercial Customers set forth in Section 1.

5.13. Third-Party Subscription Programs

You are required to subscribe to the following services in conjunction with your ZEROREZ franchise: i) a financial management software which has been pre-approved by Company (pre-approved software currently includes QuickBooks Online; ii) any technology required to manage your fleet; and ii) and other technical, financial, management and leadership training outside of Zr Ware that we reasonably require from time to time.

5.14. Telephone Listings and Online Accounts

You agree to pay any and all franchisee-incurred telephone company charges and fees for telephone numbers, social media accounts and any other online accounts created or used in the Franchised Business and to receive our prior written approval of all such numbers and accounts. You will reimburse us if for any reason we have to pay any such charges. You agree not to terminate or transfer to any other party any such telephone numbers or accounts during the term of this Agreement or do anything else that may directly or indirectly impede the transfer of those numbers or accounts upon any termination or expiration (without renewal) of this Agreement.

In addition, you agree to sign, upon request from the Company, such release and transfer documents as we may require at any time, authorizing us to obtain the telephone numbers and/or social media or other online accounts of your Franchised Business upon any termination or expiration (without renewal) of this Agreement.

5.15. Approved Products

You may only sell specific cleaning and related products that the Company has approved in writing. The Company may be the only approved supplier of certain approved products, in which case, you must purchase the product from the Company if you offer such product to your customers. If at any time the Company begins to offer a product and you are selling a comparable third-party product, you must cease selling such third-party product immediately and only offer the Company's comparable product. The Company may make a profit off of product sales to its franchisees. You must fully indemnify the Company related to any product not purchased from the Company pursuant to Section 11.1, even if such product has been approved by the Company. You may not sell any products on the internet, including through social media platforms or third-party websites, or through any other channel of distribution.

6. MARKS

6.1. Ownership

The Company or its affiliate has filed trademark applications with the United States Patent and Trademark Office for the Marks, including the name "ZEROREZ" and for our logo. The United States Patent and Trademark Office has issued the Marks. You acknowledge that the Company's affiliate is the owner of the Marks and all associated goodwill and has licensed the Company the right to use the Marks and to license others to use the Marks for purposes of franchising. You agree not to contest the validity of the Marks during or after the Term of this Agreement or any renewal. Other than your right to use the Marks pursuant to this Agreement, you acquire no right, title, or interest of any kind or nature in or to the Marks or the associated goodwill. Unless otherwise permitted in writing by the Company, you shall use the Marks only in connection with the System, and you agree that your use of the Marks under this Agreement inures to the benefit of the Company. You are required to use the Marks pursuant to and in compliance with this Agreement, the System, and other standards we prescribe. You agree to execute any documents deemed necessary by the Company or its counsel to obtain protection for the Marks or to maintain their continued validity and enforceability. Your unauthorized use of the Marks will constitute a breach of this Agreement and an infringement of the Company's rights in and to the Marks. All provisions of this Agreement applicable to the Marks apply to any additional trademark, service mark, or commercial symbol we authorize or require you to use.

6.2. Approval

You will display the Marks only in the form and manner specifically approved by us and, upon request by the Company, will affix any legends, markings, and notices of trademark registration or any other notice of the Company's ownership. The Company shall have the right to approve all material prepared by you, included but not limited to stationery, advertisements, promotional items, displays, and other printed materials, upon which any of the Marks appear.

6.3. Protection and Defense

The Company agrees to protect and defend the Marks. You agree to cooperate fully with the Company in the defense and protection of the Marks and shall immediately advise the Company in writing of any potentially infringing uses by others and any suits

brought or claims made against you involving the Marks. So long as you have provided the notice required herein, the Company agrees to indemnify defend and hold you harmless (including reasonable expenses and attorneys' fees expended in defense of the marks), against third-party claims or demands resulting from your use of the Marks unless the Company determines that you did not use the Marks in accordance with this Agreement. The Company will reimburse you for all out-of-pocket expenses you incur if your use of the Marks conforms to this Agreement, including reasonable legal expenses and attorneys' fees. Decisions regarding the protection and defense of the Marks, and the settlement of any litigation involving the Marks, shall be solely in the discretion of the Company and you shall take no action related thereto without the express written consent of the Company. Further, without the Company's consent, you shall not initiate any suit or proceeding against alleged imitators or infringers or any other suit or proceeding to enforce or protect the System.

In the event the Company fails to protect you from and against any third-party infringement or claim with regard to the Marks, you may proceed to protect the Marks against any such infringement or unauthorized use and seek reasonable reimbursement from the Company, so long as any such enforcement action is prosecuted by competent counsel that specializes in the enforcement and/or infringement of patents, trademarks, service marks, etc.

6.4. Further Restrictions on the Marks

(a) You understand that the license to the Marks is non-exclusive and the Company retains the right to grant licenses for the Marks to other companies or individuals;

(b) Except with the express written consent of the Company, you shall not use any trademarks, service marks or other identifying characteristics in connection with the Franchised Business other than the Marks;

(c) You shall not manufacture, market, or sell products nor perform services under the Marks unless specifically approved by the Company;

(d) Except for the fictitious name registration referred to in Section 5.6(a), you shall not use or register, in whole or in part, the Marks or the Company's name, or anything similar, as part of your corporate name or as the name of any entity directly or indirectly associated with your activities; and

(e) You shall not use any Mark with any prefix, suffix, or other modifying words, designs or symbols unless the Company approves in writing.

6.5. Goodwill

You acknowledge the substantial goodwill value of the Marks and your significant responsibilities to the System's proper and efficient operation. You shall not use the Marks in any manner to injure or disparage the Company or its reputation and agree not to take any action, which would harm or jeopardize the Marks, or the Company's ownership thereof, in any way.

6.6. Changes to Marks

The Company has the right at any time, upon notice to you, to make additions to, deletions from, and changes in the Marks, and you will adopt and use any and all such additions, deletions, and changes pursuant to the Company's instructions. The Company will not reimburse you for any expenses you incur in complying with these instructions including any loss of revenue attributable to any modified or discontinued Mark.

6.7. Inspection

To ensure that you are properly employing the Marks in connection with the operation of the Franchised Business, you agree that the Company or its agents shall have the right to inspect your operations and business premises. To the extent that the Company takes advantage of its rights under this Section 6.7, you shall fully cooperate with the Company and render such assistance as may reasonably be required.

7. MARKETING AND ADVERTISING

7.1. Value

You recognize the value of advertising and the importance of the standardization of advertising and marketing programs to the furtherance of the goodwill and public image of the System, branding of ZEROREZ and its products and services and all ZEROREZ franchisees.

7.2. Approval of Advertising

In order to ensure the necessary quality, uniformity, and continuity of advertising and promotional activity for all ZEROREZ franchisees operating under the System, you agree not to carry out any advertising or promotional activities, or to publish or distribute any advertising and promotional materials that does not comply with the brand guidelines as set forth in our brand and style guides (the "**Brandworks**") and Manuals. All advertising and use of the Marks must comply with the guidelines set out in the Manuals and Brandworks. If the Company determines, in its sole discretion, that any advertising or Marks are not in compliance with such guidelines, it may require and you must immediately cease use and take all effort necessary effort to take down or remove and such non-compliant advertising or use of the Marks. You agree that all advertising and promotional activities that you undertake will be completely factual and will comply with the Company's advertising guidelines. You will be solely responsible for compliance with all laws applicable to advertising in your jurisdiction.

7.3. National or Regional Brand Fund

You agree to contribute to the national brand fund up to three percent (3%) of your monthly Gross Sales (the **"Fund"**). The Company will notify you of the current percentage you must pay to the Fund and of any changes to such percentage. Your contribution to the Fund will not be increased by more than one percent (1%) per annum. The fees payable to the Fund shall be paid on or before the 15th day of the month immediately following the month to which such fees relate. You further agree that:

(a) The Fund will be maintained and administered by the Company or its designee and the Company will oversee all advertising and promotional programs, marketing, and public relations with the sole discretion to approve or disapprove the concepts, materials, and media used in such programs and the placement and allocation of these programs. You acknowledge and agree that the Fund may be used, in the Company's reasonable discretion, to pay costs of producing, preparing, distributing, and using marketing, advertising, and other materials and programs; administering national, regional, and other marketing programs; purchasing media; employing advertising, public relations, and other agencies and firms; and supporting market research. In connection therewith, the Fund shall have the right to hire consultants, some of whom may be affiliated with the Company, such as an in-house advertising agency, in order to assist with production, marketing programs, media buys or materials for the System. The Fund will be used to cover the costs of advertising and promotional activities including, without limitation, social media, internet, direct mail campaigns advertising via radio, television, magazines, billboards and newspapers, marketing surveys and research, public relations, employing advertising and/or media buying agencies, production of advertising material, media planning and placement, marketing and administrative personnel, and any other costs associated with the development, evaluation, testing, distribution or placement of advertising time, space, or materials in national, regional, or other advertising media;

(b) In administering the Fund and determining how and where the monies in the Fund will be spent, the Company will take into account the relative contributions of each of the participating franchisees; however, there can be no assurances that expenditures will be made to your direct benefit or within the Operating Territory that are equivalent or proportional to your contribution to the Fund.

(c) The money contributed to the Fund will be maintained in a separate account from the Company's other monies and shall not be used to cover any of the Company's expenses, except for reasonable administrative costs and overhead associated with managing and administering the Fund.

(d) The Company, in its sole discretion, may spend in any fiscal year an amount greater or less than any aggregate contribution to the Fund in that year and the Fund may borrow from the Company or its affiliates or other lenders to cover deficits in the Fund or cause the Fund to invest any surplus for future use by the Fund. The balance of the Fund, including contributions to and earnings of the Fund in a given year, can be carried forward and used for Fund activities the following year;

(e) The Company will not have any direct or indirect liability or obligation to you, the Fund, or otherwise with respect to how it is maintained or managed or its direction or administration;

(f) You acknowledge and agree that your and the Company's rights and obligations with respect to the Fund and all related matters are governed solely by this Agreement and that this Agreement and the Fund are not in the nature of a "trust," "fiduciary relationship," or similar special arrangement, and is only an ordinary commercial relationship between independent businesses for their independent economic benefit;

The Fund's administration will be paid by the Fund. In no event will the Fund's annual administrative expenses exceed twenty percent (20%) of its operating expenses. ZEROREZ employees whose role and responsibilities are solely dedicated to marketing efforts for the System may be paid from the Fund and shall not be considered administrative expenses. The Fund will be audited annually and you may request an accounting of the Fund ninety (90) days after the end of each calendar year in writing for the Fund's use in the previous year. You are limited to one such request for an audit annually. The Fund will not be used for solicitation of new franchisees. Although the Fund is intended to be of perpetual duration, the Company retains the right to terminate the Fund. The Fund will not be terminated, however, until all monies in the Fund have been expended for advertising or promotional purposes or returned to contributors on the basis of their respective contributions.

7.4. Required Local Advertising Expenditures

While this Agreement is in effect, you agree to make monthly expenditures for local advertising and promotional activities of the Franchised Business of not less than fifteen percent (15%) of your Gross Sales for the preceding month. At such time as the Company establishes a national or regional brand program, you will be required to contribute up to three percent (3%) of your Gross Sales as provided for in Section 7.3. Upon request, you will deliver to the Company a report providing proof that you have fulfilled your local advertising requirement. Samples of all advertising, promotional and marketing materials that the Company has not prepared or previously approved must be submitted to the Company for its approval at least thirty (30) days prior to the closing date for the submittal of materials as set by any media company for timely publication, in which case the material shall be deemed to have been approved unless the Company notifies you in writing to the contrary within fourteen (14) business days following its receipt of the material. Advertising and promotion by you in any medium shall be conducted in a dignified manner shall conform to the standards and requirements of the Company.

7.5. Local Advertising/Branding Cooperatives

In certain cases, your Operating Territory may be located in a market area where other franchisees of the Company or Company-owned operations will also be located. In these cases, the Company, may determine that all ZEROREZ franchises sharing the same local market area should participate in market-wide cooperative advertising and/or branding programs. If such a determination is made with respect to your market area, your participation will be mandatory. The Company shall have the authority to set the terms of any such cooperative programs, and to make changes to those programs from time to time as approved by the Company, and you agree to participate in any such cooperative programs, although the Company agrees to permit the activities of the cooperative to be controlled locally. We have the right to require you or any local cooperative to employ the services of an advertising agency or media buying company that we designate or approve for the administration of local expenditures. Any ZEROREZ businesses owned by us or any of our affiliates located in your local marketing area(s) will participate in the cooperative(s) with the same rights as other members and will contribute to the cooperative(s) on the same basis, as you are required to contribute. Amounts you pay to the local cooperative program shall be credited toward the local advertising expenditures required under Section 7.4 herein.

7.6. Franchisee's Name and Photograph

You hereby grant to the Company the right, without compensation, to use your name, address, photographs of your principal owners, and information concerning you or your Franchised Business in any publication, circular, or advertisement related to ZEROREZ franchises or the sale of ZEROREZ franchises.

7.7. Internet Advertising

The Company may, in its sole discretion, maintain a website and may list information about you and your Franchised Business within any portion of such a website, including a page devoted to your Franchised Business based upon a template developed by the Company, if applicable. The Company's website will not contain any financial data applicable to your Franchised Business without your prior written consent. The Company shall have the sole discretion to determine the content and format of its web site. You may not develop an independent web site related to your Franchised Business, and, except as set forth below with social media, you may not use any of the Marks in any domain name or web site without the prior written consent of the Company. You must operate in full compliance with the Privacy Policy, contained on the Company's web site, which may be updated from time to time. The Privacy Policy governs the collection, use, storage, and sharing of customer, employee, and business data and is incorporated herein by reference. You may develop and operate your own social media account, page or site, including, but not limited to, Tik Tok, Facebook, Yelp, Twitter, Instagram, Pinterest and YouTube provided that you add the Company as an administrator. Further, if the Company, in its sole discretion, determines that any post is inappropriate, not consistent with the ZEROREZ brand or should otherwise be removed or taken down, you must do so immediately. If required by the Company, you agree to grant control and ownership of any such sites used to the Company, and you shall cease operating such site, account, handle, app, or otherwise and shall establish links to such websites as the Company may prescribe. All such pages, accounts, or sites and all posts or content must conform with the Company's social media policy or other policies as may be set forth in the Brandworks and Manuals.

7.8. Advertising Agency

In order to maintain consistency and quality, and in order to keep franchisees focused on revenue generation, you agree that you will use such company or companies as may be designated by us from time to time, for your franchised business's local and/or national or regional advertising, provided that such company or companies are, in your reasonable discretion, adding commercial value. Upon termination or expiration of this Agreement, all rights to local or regional radio or television advertising shall become the property of the Company, and you will remain responsible for payment of all fees for such advertising through the date of termination or expiration of this Agreement.

7.9. National Customer Acquisition Programs

The Company may institute national customer acquisition programs whereby fees are paid to third-party advertisers based on any customer you actually service. If any such program is instituted, you must pay the designated fee to the Company for each customer referred to you to whom you provide services. Participation in any such program is mandatory, but the Company may discontinue any such program at any time

in its sole discretion. The Company will invoice you for such fee monthly with payment to be made monthly with the royalty fee as further set forth in Section 2.9.

8. CONFIDENTIAL INFORMATION; COVENANTS

8.1. Confidential Information

You will receive confidential and proprietary information, which the Company has developed over time and at great expense. Any information disclosed by the Company to you that is designated as confidential, or which by its nature might reasonably be expected, if disclosed, to provide the Company's competitors with a competitive advantage or injure the Company's business, shall be considered "**Confidential Information**" hereunder, so long as it complies with the specific rules, regulations and laws then in effect and valid in the Operating Territory. Without limiting the foregoing, the following shall be presumed to be Confidential Information: all of the contents of the Manuals and updates, cleaning products and/or formulas, lists of suppliers, lists of franchisees, lists of franchisee prospects, lists of customers, price lists and advertising strategies.

You acknowledge that the Confidential Information is not generally known in the trade and is beyond your present skills and experience, and that for you to develop such information on your own would be expensive, time consuming and difficult. You further acknowledge that the Confidential Information provides a competitive advantage and will be valuable to you in the development of your Franchised Business, and that gaining access to this information is a primary reason why you entering into the Agreement. Accordingly, in consideration of the Company's disclosure of the Confidential Information, you agree as follows:

(a) Except as required by law, neither you or your officers, directors, shareholders, or any person or entity controlling, controlled by, or under common control with you, will at any time appropriate or use the Confidential Information, or any portion thereof, in any business other than the Franchised Business; disclose or reveal any portion of the Confidential Information to any person, other than to your employees who have signed the non-disclosure agreement described in Section 8.1(b) herein; or communicate, divulge, or use any Confidential Information for the benefit of any other person or entity except as authorized by the Company in connection with the franchise granted hereunder.

(b) You will take all appropriate precautions to prevent unauthorized copying or disclosure of any Confidential Information by your employees and agents, which precautions shall include, restricting access to Confidential Information to a "need to know" basis. You will require each employee or agent with access to Confidential Information to execute a non-compete and non-disclosure agreement, in a form acceptable to and approved by the Company.

The Confidential Information will include customer contact information (including name, address, phone, and e-mail addresses), sales and payment history, and other information about a customer, including any information that could, directly or indirectly, identify a specific individual or household ("**Customer Information**").You agree to comply with applicable law in connection with your collection, storage, disclosures and your use and our use of such Customer Information, including, if required under applicable law, obtaining consents to our and our affiliates' use of the Customer

Information. You must comply with all laws and regulations relating to data protection, privacy and security, including data breach response requirements ("**Privacy Laws**"), as well as data privacy and security policies, procedures and other requirements we may periodically establish, including our privacy policy. You must notify us immediately of any suspected data breach at or in connection with the Business. You are solely responsible for any financial losses you incur or remedial actions that you must take as a result of breach of security or unauthorized access to Customer Information in your control or possession and will indemnify us for any such breach of security or unauthorized access as set forth in Section 11.1. We may modify these restrictions from time to time upon written notice to you, by issuing updates to our standards and policies pertaining to Privacy Laws, including by adding other similar restrictions that may be required under other state or federal Privacy Laws, and you will comply with any such modifications.

8.2. Covenants

In consideration of the valuable training that you will receive from the Company, the disclosure to you of the Company's trade secrets and Confidential Information, and the use and license of the System, you agree that neither you nor any or your owners will individually or jointly with others, either directly or indirectly, for itself, himself, or herself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or other entity will:

During the term of this Agreement:

(a) divert or attempt to divert any present or prospective business or customer of any Franchised Business to any competitor;

(b) own, maintain, operate, advise, consult with, engage in, or have any interest in any business engaged, wholly or partly, in the sale of products and services associated with floor surfaces and fabric care, or which offers products or services competitive with those offered under the System, to any customer;

(c) own, maintain, operate, advise, consult with, engage in, or have any interest in any business engaged, wholly or partly, in the wholesale sale of products and services associated with floor surfaces and fabric care, or which offers products or services at wholesale otherwise competitive to those offered under the System, to any customer or potential customer regardless of location.

Subsequent to the expiration or termination of this Agreement, a Transfer permitted hereunder (as hereinafter defined), or a final decision of an arbitrator or a court of competent jurisdiction, and continuing for eighteen (18) months thereafter:

(a) own, maintain, operate, advise, consult with, engage in, or have any interest in any business engaged, wholly or partly, in the sale of products and services associated with floor and fabric care, or which offers products or services otherwise similar to those offered under the System, to any customer within your Operating Territory, within a 25-mile radius of the Operating Territory, or within the operating territory of any other ZEROREZ franchisee or Corporate Base;

(b) provide products or services which are the same as or similar to the products and services offered under the System to any customer to whom you provided such

products or services at any time during the one year period prior to the termination, expiration, or permitted Transfer (as hereinafter defined) of this Agreement.

These restrictions will not apply to your ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation, and you agree that the Company shall have the right to reduce the scope of any covenant contained in this Section 8.2, simply by providing written notice to you. Upon your receipt of such written notice, you agree to comply with such modified covenants. The existence of any claims you may have against the Company, whether arising under this Agreement or otherwise, will not constitute a defense to enforcement by the Company of the covenants contained in this Section 8.2.

In the event that any provision of this covenant not to compete shall be held invalid or unenforceable by a court of competent jurisdiction by reason of the duration or scope thereof; such invalidity or unenforceability shall attach only to the specific provision determined to be unenforceable and the covenant shall remain in full force and effect for the greatest time period and for the broadest scope permitted by applicable law. Franchisee and the Company intend that this covenant not to compete shall be deemed to be a series of separate covenants, one for each and every county of each and every state of the United States of America and one for each and every political subdivision of each and every other country where the covenant not to compete is effective.

8.3. Customer Lists

All customers within the Operating Territory, and all lists of such customers, shall be your responsibility; however, ownership of the customers you service and all customer lists containing information regarding such customers is the sole property of the Company. You covenant not to use the customer lists for any purpose other than in connection with the Franchised Business. You will, on demand, promptly deliver to the Company a complete list of your customers including all information concerning such customers as requested by the Company. You will not, for a period of at least eighteen (18) months from the termination or expiration of this Agreement, contact any customer for whom you have provided services as a franchisee of the Company or any individual or entity within your Operating Territory's market area, for the purpose of offering such customer services that are similar to or competitive with the services you provided as a franchisee of the Company.

9. TAXES AND INDEBTEDNESS

9.1. Payment

You will promptly pay when due any and all federal, state, and local taxes including, without limitation, employment and sales taxes, levied or assessed with respect to any services or products furnished, used, or licensed pursuant to the Agreement, and all accounts or other indebtedness of every kind incurred by you in the operation of the Franchised Business. This does not preclude you from undertaking bona fide disputes regarding your liability for taxes assessed or other indebtedness, provided you contest the liabilities through the proper procedures of the taxing authority or applicable law.

9.2. Responsibility for Debts

You expressly covenant and agree to accept full and sole responsibility for all debts and obligations incurred in the operation of the Franchised Business.

9.3. Notification of Suits

You agree to notify us immediately in writing of any suit, proceeding, or action and of the issuance of any writ, award, decree, injunction, or order of any court, agency, or other government instrumentality, that may adversely affect the operation of the Franchised Business.

9.4. Reimbursement of Taxes and Costs

Should any franchise or other tax based upon the gross sales, gross revenues, business activities, or operation of the Franchised Business that should properly be imposed upon, or paid by, the Franchised Business, be imposed on the Company by any taxing authority, you will reimburse the Company or gross up the amount paid to the company in an amount sufficient to cover such taxes and related costs and expenses imposed upon or paid by the Company and ensure that the Company receives the payment it otherwise would have received if such taxes or fees had not been applicable. You will make such reimbursement within ten (10) days after receipt of written notice from the Company that the Company is entitled to reimbursement for payment of such taxes and other amounts as set forth herein.

10. RIGHT TO ACCESS, INSPECTION AND AUDIT

10.1. Access

The Company and its authorized representatives shall have the right at any time during normal business hours, with reasonable notice, to enter your business premises or the premises where you or your employees are providing customer services in order to inspect records, monitor procedures, and evaluate performance to determine if you and your employees are in compliance with this Agreement. This review may include, in the sole discretion of the Company, an annual business review of your entire Franchised Business in order to ensure continued compliance with this Agreement and the Franchise Disclosure Document. You agree to cooperate fully with the Company in any review under this Section.

10.2. Inspection and Audit

You will retain at your business premises, for a period of at least three (3) years, all of the records pertaining to the Franchised Business and your Gross Sales. All such records shall be available for inspection and copying at all reasonable times by the Company. The Company's right to inspect, audit, and copy your records shall survive for a period of three (3) years following any expiration or termination of this Agreement.

10.3. Deficiencies

In the event, any inspection or audit discloses a deficiency in the payment of any royalty, or any other amount required to be paid under this Agreement, you shall immediately pay the deficiency to the Company. In addition, if the deficiency is equal to or exceeds

two percent (2%) of the correct amount required to be paid under this Agreement during any twelve (12) month period, you will immediately pay the Company the entire cost of such inspection and audit, including but not limited to, travel, lodging, meals, salaries, and other expenses of the inspecting or auditing personnel.

11. INDEMNIFICATION; INSURANCE

11.1. Indemnity

The Company shall not be liable (vicariously or otherwise) for any of your actions, nor shall the Company be liable (vicariously or otherwise) by reason of any act or omission on your part in the operation of the Franchised Business or for any claim or judgment against you. You agree to indemnify and hold the Company and its officers, directors, and employees harmless from and against any expense, liability, or damage (including attorneys' fees) the Company or such individuals may incur as a result of claims, demands, costs or judgments, of any kind or nature, by anyone, arising out of, or otherwise connected with, the ownership, maintenance or operation of the Franchised Business by you. The Company shall have the right, within reason, to approve the counsel used in defending any action subject to indemnification hereunder. The Franchisee shall not be liable (vicariously or otherwise) for any of Company's actions, nor shall the Franchisee be liable (vicariously or otherwise) by reason of any act or omission on the Company's part in the operation of the franchise system or for any claim or judgment against the Company. Company agrees to indemnify and hold the Franchisees and their respective officers, directors, and employees harmless from and against any expense, liability, or damage (including attorney's fees) the Franchisees or such individuals may incur as a result of claims, demands, costs or judgments, of any kind or nature, by anyone, arising out of, or otherwise connected with, the ownership, maintenance or operation of the Company.

11.2. Insurance

During the term of this Agreement, you agree to maintain, at your expense, insurance as outlined in the Manuals. The current insurance requirements are as follows:

(a) insurance of the generally accepted "all risk" form on all personal property and assets of every description and kind used in the Franchised Business in an amount of the full insurable value thereof;

(b) commercial general liability insurance coverage for the operation of the Franchised Business, including but not limited to, coverage against all types of public liability, including products liability, premises liability, completed operations liability, against claims for personal injury, bodily injury, death, or property damage suffered by others including the Company, its agents, or its employees, or as a result of the use of products sold by, or services rendered by, you, with a minimum coverage of $1,000,000 per accident or occurrence affecting one or more persons or property damage and $1,000,000 aggregate, or as it may reasonably be adjusted from time to time;

(c) motor vehicle liability insurance for any claims arising out of the Franchised Business, or occurring as a result of the maintenance or operation by you, your employees, or persons doing business on your behalf, of any automobiles, Mobile Units, or other vehicles or other facilities with a minimum coverage of $1,000,000

for each accident or occurrence affecting one or more persons, or property, or as it may reasonably be adjusted from time to time;

(d) workers' compensation, unemployment compensation, social security, and other mandatory insurance coverage shall be maintained in such amounts as may now or later be required by any applicable law.

All insurance policies shall be issued by an insurance carrier rated "A" or better by Alfred M. Best and Company, Inc. All policies described in Sections 11.2(a)-(d) above shall insure you and name the Company as an additional insured, and shall stipulate that the Company shall receive at least thirty (30) days' written notice of cancellations or modification. Your obligation to obtain and maintain the insurance policies described herein shall not be limited in any way by reason of any insurance that may be obtained by the Company, nor shall your performance of this obligation relieve you of liability under the indemnity provision set forth in Section 11.1. You shall deliver to the Company certificates of insurance or copies of insurance policies evidencing compliance with the requirements of this Section 11.2, together with proof of payment for such policies, prior to commencing operation of the Franchised Business, and thereafter prior to the expiration date of any such insurance coverage.

The Company may, from time to time upon at least sixty (60) days prior written notice to you, increase or modify mandatory insurance coverage for the Franchised Business as the Company may deem necessary for the protection of the Company, the System, and you. You agree to comply with such increased or modified coverage requirements at your sole cost and expense, provided that such increased or modified coverage is reasonable;

You acknowledge and agree that should you fail to procure and maintain the insurance required by this Section 11, the Company has the right, but not the obligation, to procure the insurance and to require you to reimburse us for the cost of such insurance and for any expenses incurred in procuring the insurance.

11.3. Third Parties

You are responsible for all losses or damages and contractual liabilities to third persons arising out of or in connection with the possession, ownership, or operation of the Franchised Business, and for all claims or demands for damages to property or injury, illness, or death of persons directly or indirectly resulting therefrom.

12. TRANSFER OF FRANCHISE

12.1. Transfer of Franchise

This Agreement is specific to you and you agree neither to sell, assign, transfer, nor to encumber your rights under this Agreement or to sell or transfer any of the assets of the Franchised Business ("**Transfer**") without the prior written consent of the Company, which consent will not be unreasonably withheld. If you are a corporation, limited liability company, or similar entity, the terms of this Section 12.1 shall be deemed violated upon any sale, resale, pledge, assignment, transfer, or encumbrance of an interest in the entity, including a minority interest. If you are a partnership, then the terms of this Section 12.1 shall be deemed violated upon any removal or addition of any general partner. You shall disclose to the Company on Schedule B of this Agreement the names

of all your partners, owners, and shareholders, and shall give the Company prompt notice of any changes or additions to the same and all new owners that meet the threshold to sign a guaranty as set forth in Section 15.13 must do so. Any assignment or transfer in violation of this Section 12 shall be null and void and shall constitute a material breach of this Agreement, which will provide the Company with the right to terminate this Agreement in accordance with Section 13. If you Transfer an interest in your franchise but continue to hold an interest in such franchise or transfer your entire franchise to a current ZEROREZ franchisee, the Transfer fee is $7,500. If you sell, assign, or transfer your Franchise to a new franchisee that is not a current ZEROREZ franchisee, the Transfer fee is $30,000. The transfer fee payable to the Company depends on the transferee

12.2. The Company's Right of First Refusal

If any person holding an interest in this Agreement, in you, or in any of the assets of the Franchised Business, desires to accept any bona fide offer from a third party to Transfer such interest, you will notify the Company at least thirty (30) days before the Transfer is proposed to take place and provide any information or documentation relating to the offer that the Company requires. The Company will have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that the Company intends to purchase the seller's interest on the same terms and conditions offered by the third party. If the Company elects not to purchase the seller's interest, such third party will have thirty (30) days from the earlier date of receipt of a notice from the Company declining to exercise its right of first refusal; or thirty (30) days after the Company's receipt of the transferor's written notification of the proposed transfer, to close on the transfer of the interest. Failure to effect a transfer with the third party within the ninety (90) day period, or any material change of the terms of the offer prior to closing, will constitute a new offer subject to the same rights of first refusal by the Company as in the case of the third-party's initial offer. The Company's failure to exercise the option provided by this Section 12.2 does not constitute a waiver of any other provision of this Agreement. If the consideration, terms, or conditions offered by a third party are such that the Company cannot furnish the same consideration, terms, or conditions, then the Company may purchase the interest proposed for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash, an independent appraiser will be designated by the Company, at the Company's expense, and the appraiser's determination will be final and binding.

12.3. Conditions for Transfer

You acknowledge and agree that the restrictions on Transfer contained in this Agreement are reasonable and are necessary to protect the Franchised Business, the System, and the Marks, as well as the Company's reputation and image, and are essential for the protection of the Company and other ZEROREZ franchisees. The Company agrees not to unreasonably withhold its consent to Transfer of the Franchised Business by you, provided however, that consent to such Transfer otherwise permitted or permissible may be refused in any case unless:

(a) all of your obligations under this Agreement and any other agreement affecting the Franchised Business are assumed by the transferee. You will remain liable for all

obligations to us in connection with the Franchised Business which arose prior to the effective date of the transfer.

(b) all your known or liquidated debts to the Company or any affiliates of the Company are paid or assumed by the transferee with our consent;

(c) you are not in default in any material respect under this Agreement or any other agreement with the Company or any affiliates of the Company;

(d) the transferee and its partners, officers, and shareholders, if applicable, satisfactorily complete prior to the date of transfer the training required of new franchisees on the Company's then-current terms;

(e) you, if requested by the Company, satisfy the Company that the transferee, and it partners, officers, and shareholders if applicable, meet all of the requirements of the Company for new franchisees, including but not limited to, good reputation and character, business acumen, operational ability, management skills, credit rating, financial strength, and other business considerations;

(f) you, all of your individual owners, and those of the transferee, if required by the Company, execute a general release under seal of any and all claims against the Company, in which event the Company will execute a similar release in your favor;

(g) you or your transferee pays to the Company the then-current transfer fee;

(h) for effecting the Transfer and in providing training and other initial assistance to the transferee;

(i) the Company receives a fully executed copy of all Transfer documents;

(j) the Company deems that the transferee is credit worthy and has the financial wherewithal to continue to operate the Franchised Business; and

(k) the transferee must execute the then-current form of franchise agreement which may be materially different from the franchise agreement you signed, including but not limited to higher royalty fees and higher Fund contributions.

12.4. Transfer to a Corporation

Notwithstanding Sections 12.1-12.3 above, on thirty (30) days' prior notice to us, you (if you are an individual or partnership) may transfer this Agreement, in conjunction with a transfer of all of the assets of your Business, by an agreement in form and substance satisfactory to us, to a corporation, trust, or limited liability company or other estate planning vehicle, of which you own and control all of the equity and voting power of all issued and outstanding capital stock. No such assignment will relieve you or your owners of your obligations hereunder, and you and your owners will remain jointly and severally liable for all obligations hereunder.

12.5. Special Transfers

Sections 12.1-12.3 shall not apply to any Transfer of the Franchise among any of your then-current owners disclosed in Schedule B of this Agreement. Section 12.3(g) shall

not apply to a transfer of the Franchised Business to a spouse or adult child of the franchisee (if an individual) or to a spouse or adult child of a then-current owner listed in Schedule B (if a corporation, limited liability company or partnership).

12.6. Death or Disability of Franchisee

Upon your death or permanent disability, or the death or permanent disability of your principal owner, the executor, administrator or other personal representative of such person must transfer his interest in this Agreement or his interest in the Franchised Business to a third party approved by us in accordance with all of the applicable provisions of Section 12 herein within a reasonable period of time, not to exceed one (1) year from the date of death or permanent disability, unless agreed to in writing by Company.

12.7. Assignment by the Company

All of the Company's rights and obligations under this Agreement are freely assignable by the Company with or without your consent.

12.8. Non-waiver

The consent by the Company to a Transfer covered by this Section shall not constitute a waiver of any claims the Company may have against the transferring party, nor will it be deemed a waiver of the Company's right to demand exact compliance with any of the terms of this Agreement by transferor and transferee.

13. TERMINATION OF AGREEMENT

13.1. Expiration of Term

This Agreement shall expire without notice ten (10) years from the Effective Date, subject to earlier termination as described in this Section 13. The Franchise Business may be extended by entering into a new franchise agreement as set forth in Section 1.2.

13.2. By You

If you are in compliance with the Agreement and the Company materially fails to comply with this Agreement and does not correct such failure within thirty (30) days after written notice is received by the Company or, if such failure cannot be cured within the thirty (30) day period, or the Company does not undertake diligently to attempt to cure the failure within the cure period and continue to do so thereafter until the failure is cured, then you may terminate this Agreement effective ten (10) days after delivery to the Company of a written notice of termination.

13.3. By the Company

In the event that you fail to commence the operation of the Franchised Business as required herein including but not limited to your Development Obligations as set forth in Exhibit A of this Agreement, or the Company reasonably determines that you are unable to complete satisfactorily the initial training program as required in Section 4 above, then the Company shall have the right to terminate this Agreement, effective immediately upon delivery to you of written notice of termination.

13.4. By the Company; Automatic Termination

If any of the following events occur, you will be deemed in default under this Agreement, and the rights granted to you hereunder will automatically terminate without notice:

(a) if you file a petition in bankruptcy, or if a petition is filed against you and not contested by you within three (3) days, or if you are a corporation, partnership, or limited liability company, you are dissolved;

(b) if you make a general assignment for the benefit of creditors or become insolvent;

(c) if you fail to contest, satisfy, lift, or vacate within ten (10) days any execution, seizure, foreclosure, levy, or distress against the assets of the Franchised Business;

(d) if you fail to contest or have removed, within ten (10) days, the appointment of a receiver or other custodian (either temporary or permanent) of the Franchised Business or any part of its assets;

(e) if a final judgment in excess of twenty-five thousand dollars ($25,000) remains unsatisfied or of record for thirty (30) days or longer;

(f) if you make a transfer (as defined in Section 12) of the Franchised Business or of the rights granted under this Agreement without first complying with the relevant provisions of this Agreement;

(g) if you misuse or make an unauthorized use of the System or Marks or any other name, mark, system, insignia, symbol, or right provided by the Company to you, after being notified in writing by the Company to cease and desist from such unauthorized use, or if you make an unauthorized copy or disclosure of the Confidential Information or make an unauthorized disclosure of the Manuals, after being notified in writing by the Company to cease and desist from such unauthorized copy or disclosure;

(h) if you repeatedly, and after written notice to cease, perform services hereunder in the Operating Territory of another ZEROREZ franchisee; or

(i) if you, after receiving notice from the Company of a violation of Section 15.15, again violate Section 15.15.

13.5. By the Company; Notice and Opportunity to Cure

If any of the following events occur, the Company may, at its option and upon the period of time outlined below, or if no period of time is specified, upon thirty (30) days, or such other time specified below, written notice to you and you fail to cure the event that gives rise to a default hereunder, terminate this Agreement effective immediately upon your receipt of a written notice of termination at the end of any cure period:

(a) if you abandon or surrender or transfer control of the operation of the Franchised Business or fail to conduct actively the Franchised Business as required herein and such condition continues for ten (10) business days after notice of such default is given (with the exception of fire, flood, other Acts of God, or other extraordinary

circumstances which prevent you from actively conducting the Franchised Business);

(b) if you operate the Franchised Business in a manner that presents a health or safety hazard to your clients, customers, employees, or the public and such manner of operation continues uncorrected for two (2) days or longer if it cannot be cured in two (2) days and cure is commenced and diligently pursed to completion after notice to correct same;

(c) if you sell or offer for sale any unauthorized product or service for more than three (3) days after notice to cease; or longer if it cannot be cured in three (3) days and cure is commenced and diligently pursed to completion or you fail to cease offering services to any Commercial Customer or other customer outside your Operating Territory as set forth in Section 1 after notice to cease;

(d) if you or any principal owner or executive officer is convicted of a felony, a crime involving fraud or moral turpitude, or any other crime or offense that the Company believes is reasonably likely to have an adverse effect on the System, the Marks, or the Company's interests;

(e) if you refuse to submit any required report, financial statement, schedule, or other information or supporting records reasonably required herein more than thirty (30) days after the Company makes written demand for such report, financial statement, schedule, or other information or supporting records;

(f) if you fail to meet the Development Obligation set forth on Schedule A in any year during the Term, or fail to comply with the covenants set forth in Section 8.2, if such failure continues more than sixty (60) days after written notice to cure from the Company;

(g) if you knowingly submit a report, financial statement, tax return, schedule, or other information or supporting record that understates your Gross Sales for any period unless you demonstrate that such understatement resulted from an inadvertent error;

(h) if you fail or refuse to pay any amount owed to the Company or any affiliate for any royalty or other financial obligation or if you fail or refuse to pay any amount due to any lender or any payment owed under any agreement executed in connection with your purchase of an ZEROREZ franchise (including, but not limited to, any Mobile Unit and equipment lease, ERW Generator, or mineralized water concentrate), within ten (10) days after a demand for payment, or fail to honor on two (2) or more occasions in any twelve (12) month period throughout the term of this Agreement, checks presented to the Company or any affiliated entity for payment, or repeatedly and consistently pay any amount due hereunder after its due date;

(i) if you violate any law, ordinance, rule or regulation of any governmental agency in connection with the operation of the Franchised Business and do not correct such violation promptly after notification thereof, unless there is a bona fide dispute as to the violation or status of such law, rule or regulation, and you promptly resort to a court of competent jurisdiction or other appropriate forum to contest such violation or status;

(j) if you intentionally use equipment or supplies that are not in compliance with the Company's standards and specifications after being notified by the Company not to use such equipment or supplies;

(k) if you refuse to permit the Company to inspect the Franchised Business, its premises, or your books and records upon demand;

(l) if you made any material misrepresentations to the Company upon which the Company relied in evaluating your application for an ZEROREZ franchise;

(m) if you have been provided a notice of default, whether or not cured, three (3) or more times during any twelve (12) consecutive month period;

(n) if you fail to promptly respond to and reasonably satisfy customer complaints. Specifically, failure to reasonably satisfy the complaints of seven (7) or more clients or customers for any single Unit operated by you within any twelve (12) consecutive month period constitutes failure to properly respond to and reasonably satisfy customer complaints;

(o) if you fail to maintain the quality of the System or violate any program, initiative or directive from us relative to the Company or the Franchised Business; or

(p) if you fail to comply with any other provision of this Agreement or any other specification, standard, or operating procedure prescribed by the Company. The Company agrees that any written notice of default shall describe the default with specificity.

14. YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION

14.1. General Obligations

Upon termination or expiration of this Agreement, all rights granted to you under this Agreement will terminate and you will undertake the following:

(a) to pay immediately any monies owed to the Company and its affiliates.

(b) to immediately cease to operate the Franchised Business and to immediately cease to represent to the public or hold yourself out as a present or former franchisee of the Company;

(c) to immediately cease using the Marks and any confusingly similar names, marks, systems, and insignia, and cancel all assumed name or equivalent registrations relating to your use of any of the Marks. You will notify any telephone company and all listing agencies of the termination or expiration of your right to use any telephone number or directory listing associated with the Marks, and you hereby acknowledge that these items (and trunk lines and any other services provided by telephone companies and used by you in the Franchised Business) revert automatically to the Company for its (or its new franchisee's) use within the Operating Territory;

(d) to immediately cease to use the System or any of its methods, procedures, or techniques;

(e) to immediately make changes in signs, decals, and colors as the Company shall reasonably request so as to distinguish your vehicles from those of any other ZEROREZ franchisee;

(f) within five (5) days of the effective date of termination or expiration, to return to the Company all copies of all material previously received from the Company including, without limitation, the Company's Confidential Information, the Manuals, and a complete list of your present customers and clients, including their addresses and telephone numbers. You will keep all Franchised Business records for at least three (3) years after the effective date of termination or expiration and keep the Company advised of the location of such records;

(g) comply with the restrictive covenant obligations set forth in Section 8.2; and

(h) unless otherwise restricted by the Company, within five (5) days of the effective date of termination or expiration, return to the Company any data generated by using the Software; and

(i) ensure that the Marks and all equipment related to the operation of the System are removed from the Mobile Unit(s) and from any other equipment used in the Franchised Business.

14.2. Right to Purchase

In the event that this Agreement is terminated for any reason or is not renewed, the Company shall have the right, but not the obligation, exercisable within thirty (30) days of the effective date of the termination or expiration of this Agreement, to repurchase at the then fair market value of any Mobile Unit(s) and equipment, including accessories, and the ERW Generator. The Company shall also have the right, but not the obligation, exercisable by written notice delivered to you at any time after delivery of a notice of default hereunder or within thirty (30) days after the effective date of termination or expiration, to purchase for fair market value all or part of the other physical assets used in the Franchised Business, except for your real property or personal assets, which may or may not include compensation for goodwill, and the purchase price shall be equal to the fair market value. If we cannot agree with you upon a fair market value within a reasonable time, each party shall designate an appraiser and both appraisers will agree on and designate a third independent appraiser to make the determination of fair market value, whose determination shall be binding. The parties shall share the cost of the appraisal equally. The closing of the purchase shall take place at a location, and on a date, chosen by the Company, acting reasonably, and shall be completed in accordance with all applicable bulk sales legislation. At closing, you shall deliver to the Company a bill of sale for the assets, in a form acceptable to the Company. The Company shall be entitled to set off against the purchase price any amounts then owed by you, and to pay out of the purchase price any of your unpaid creditors.

14.3. Continuing Obligations

All obligations of the parties hereto which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions in Sections 6, 8, 10, 11, 14, and 16 hereof shall survive termination or expiration of this Agreement.

14.4. Domain Names and Web Sites

Upon termination or expiration of this Agreement, you agree to transfer to the Company all social media and online accounts and passwords within three (3) days after a written request by us that you do so. You acknowledge and agree that the Company has the absolute right to, and interest in, all social media accounts, domain names, web sites, and any other Internet related presence associated with the franchise granted hereunder and the Company has the full right and authority to direct any registration agency or company to transfer domain names, social media accounts, web sites or any other online presence arranged or contracted by you to the Company or its designee. You further acknowledge that this Agreement will constitute a release by you of all registration agencies or companies and all other search engines from any and all claims, liabilities, actions and damages that you may, at any time, have the right to allege against them in connection with this Section 14.4.

15. MISCELLANEOUS

15.1. Relationship of Parties

You are an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate, or to direct or supervise the daily affairs of, the other for any purpose whatsoever, and no partnership, joint venture, agency, or fiduciary or employment relationship is intended or created by reason of this Agreement. You shall take all reasonable steps necessary to clearly identify to the public that the Company is not the owner or operator of the Franchised Business and is not responsible for the acts or omissions of you and your employees, representatives, and agents. If requested by the Company, all of your invoices, work orders, contracts, etc. will identify your business as "an independently owned and operated franchise of Zerorez Franchising Systems, Inc."

15.2. Notices

All communications required or permitted to be given under this Agreement shall be in writing and shall be delivered by any means which shall provide evidence of the date received, to the respective parties at the following addresses or at such different addresses as may be designated at any time by written notice to the other party:

Company: ZEROREZ Franchising Systems, Inc.
772 East Utah Valley Drive, Suite 120
American Fork, Utah 84003
Attention: Shawn Moon, CEO

Franchisee: _____
dba Zerorez of _____
Attention: _____
_____
_____

15.3. Withholding of Payments

Should you have any claims against the Company for alleged non-performance by the Company of any of its obligations hereunder, those claims shall be submitted to

arbitration as provided in Section 15.11. Should a dispute arise regarding payment due to the Company by your hereunder, you agree to deposit such disputed funds into an escrow held by an unaffiliated third party, acceptable to you and the Company, pending the outcome of such dispute.

15.4. Cross Default

Any default by you under any other agreement between the Company and you or any of your affiliates that permits the Company to terminate such other agreement shall be deemed to be a default of this Agreement, and the Company shall have the right, at its option, to terminate this Agreement.

15.5. Entire Agreement

This Agreement, including schedules, attachments, addenda, and any other documents expressly referred to herein, sets forth the entire agreement between the parties, fully superseding any and all prior negotiations, agreements, representations, or understandings between them, whether oral or written, pertaining to the subject matter hereof. The parties hereby expressly confirm that there are no oral or written agreements, arrangements, or understandings between them except as expressly reflected herein. Except as otherwise expressly provided herein, this Agreement may be amended only by a written document signed by both parties hereto. However, nothing in this Agreement or in any related agreement is intended to disclaim the representations that the Company made in its Franchise Disclosure Document.

15.6. Waiver and Delay

Any party who becomes aware of any claim or demand against the other shall have one year from the date such party became aware of, or with reasonable diligence should have become aware of, the facts giving rise to such claim in which to settle such claim or demand or to file a lawsuit with respect to it, or the claim or demand shall be deemed to have been waived and abandoned by such party. No waiver or delay by either party in requiring strict compliance with respect to any obligation of this Agreement or any agreement with other franchisees of the Company (or in the exercise of any right or remedy provided herein) and no custom or practice at variance with the requirements hereof shall constitute a waiver or modification of any such obligation, requirement, right or remedy, or preclude the exercise of any such right or remedy or the right to require strict compliance with any obligation set forth herein, or shall preclude, affect, or impair enforcement of any right or remedy provided herein with respect to any subsequent default. All remedies, either under this Agreement, at law, in equity, or otherwise afforded to either party hereunder, shall be cumulative and not alternative and may be exercised simultaneously or sequentially in any order.

15.7. Partial Invalidity

In the event any term or provision of this Agreement is declared to be invalid or unenforceable for any reason, the provision shall be modified to the extent necessary to make it enforceable, or if it cannot be so modified, then severed, and the remaining terms of this Agreement shall remain in full force and effect, and it is hereby declared the intention of the parties that they would have executed the Agreement as so modified.

15.8. Interpretation

The captions used in this Agreement are inserted for convenience only and shall not affect the meaning or construction of this Agreement. The language of this Agreement shall be construed simply according to its fair meaning and not strictly for or against either party.

15.9. Successors

Subject to the restrictions on transfer in Section 12, this Agreement shall be binding upon and inure to the benefit of the permitted successors, assigns, heirs, and personal representatives of the parties.

15.10. Applicable Law

The Federal Arbitration Act shall govern all matters relating to arbitration. Except to the extent governed by the Federal Arbitration Act as required herein, the United States Trademark Act of 1946 or other federal law, this Agreement and the relationship between the parties hereto shall be governed by and interpreted in accordance with the laws of the State of Utah, which shall prevail in the event of any conflict of laws. This Agreement shall become valid when executed and accepted by the Company at American Fork, Utah. It shall be deemed made and entered into in the State of Utah. In entering into this Agreement, you acknowledge that you have sought, voluntarily accepted, and become associated with the Company, which is headquartered in American Fork, Utah, and that this Agreement contemplates and shall result in business relationships with the Company's headquarters personnel. The choice of law designation permits, but does not require, that all suits concerning this Agreement be filed in the State of Utah.

15.11. Arbitration of Certain Disputes

(a) Except as provided in Section 15.11(b) below, any and all disputes or controversies between or among the parties hereto, and their respective shareholders, owners, corporate affiliates, officers, directors, employees, agents, or guarantors, including without limitation, any disputes or controversies based upon, arising out of, or in any way connected to this Agreement, any agreements ancillary to this Agreement, the relationship created hereunder, the offer or sale thereof, or operation, or management of any franchise or Franchised Business, shall be resolved in accordance with the Federal Arbitration Act through binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association ("**AAA**"), as modified or supplemented as herein provided. An arbitration proceeding may be commenced by written notice from either party to the other requesting arbitration.

(b) The following types of disputes and controversies shall not be resolved through arbitration as provided in Section 15.11(a) above: disputes and controversies based upon or arising out of the Lanham Act, as now or hereafter amended, or otherwise relating to the ownership or validity of any of the Marks; disputes and controversies involving enforcement of the Company's rights under Sections 6, 8, and 13 of this Agreement; and disputes and controversies related to or based upon your failure to pay royalties or advertising fund contributions when due.

(c) Three arbitrators who shall be selected by the AAA office in which the arbitration petition has been filed shall conduct any arbitration under Section 15.11(a) above. The parties desire that at least one arbitrator be an attorney familiar with franchising matters. The arbitrators shall have the power to order discovery on the basis of what is likely to produce material and relevant information in the proceeding, and to assess costs and expenses of the arbitration according to the relative merits of the parties' positions in the case. The arbitrators shall enter judgment by default in the event either party shall fail or refuse to appear or participate in any properly noticed arbitration proceeding. Damages recoverable in any action shall be limited to actual damages proved and neither party shall be entitled to recover special, consequential, punitive, or multiplied damages. The parties agree to be bound by the provisions of any limitation on the period of time within which claims may be brought under applicable law or this Agreement, whichever expires earlier. In connection with any arbitration proceeding, each party must submit or file any claim that would constitute a compulsory counterclaim (under the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim that is not submitted or filed will be forever barred.

(d) The forum for any arbitration required hereunder shall be in the county in which the Company's principal headquarters are located.

(e) In the event a dispute or claim arises hereunder involving both matters subject to arbitration under this Section 15.11 as well as matters not subject to arbitration under Section 15.11(b), all portions of such claim which are subject to arbitration shall be severed from the claims not subject to arbitration and shall be subject to arbitration hereunder, unless both parties agree to consolidation in a single action.

(f) The provisions of this Section 15.11 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to termination or expiration of this Agreement.

15.12. Attorneys' Fees

Should either party be required to enforce its rights hereunder, the prevailing party shall be entitled to recover its reasonable costs and expenses, including without limitation, attorneys' fees, costs, and such expenses on appeal, to be determined by the court or arbitrator, as the case may be and not a jury.

15.13. Personal Guarantees

If you are a corporation, limited partnership, or limited liability company, you agree that in order to induce the Company to enter into this Agreement, you will cause each principal who owns ten percent (10%) or more of the corporation, limited partnership or limited liability company to guaranty to the Company the full payment and performance of all your obligations under this Agreement, unless agreed otherwise by the parties. The form of such guaranty shall be as attached to this Agreement as Schedule D.

15.14. Operation of the Franchised Business

You acknowledge and agree that you shall be responsible for operating the Franchised Business and that you shall not enter into any management agreement or other similar

arrangement for the operation of the Franchised Business with any independent entity without the prior consent of the Company.

15.15. Non-Disparagement

You agree that you will not (and will use your best efforts to cause its current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) (a) make any untrue or derogatory statements concerning the Company and its affiliates, as well as their present and former officers, employees, shareholders, directors, agents, attorneys, servants, representatives, successors and assigns; or (b) undertake any act which would (i) subject the Marks to ridicule, scandal, reproach, scorn, or indignity, (ii) which would negatively impact the goodwill of the Company or its affiliates, the Marks, the System, or any other brands owned or controlled by the Company or its affiliates, or (iii) constitute an act of moral turpitude.

15.16. Your Organization and Authority

If you are a legal entity, you are duly organized, validly existing and in good standing under the laws of the state in which you are organized. You have full power and authority to enter into this Agreement and to carry out your obligations hereunder. Your execution and delivery of this Agreement and your performance of your obligations hereunder has been duly authorized by all requisite action on your part. This Agreement has been duly executed and delivered this Agreement constitutes a legal, valid and binding obligation, enforceable against you in accordance with its terms.

16. ACKNOWLEDGEMENTS

NO STATEMENT, QUESTIONNAIRE, OR ACKNOWLEDGMENT SIGNED OR AGREED TO BY YOU 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 COMPANY. THIS PROVISION SUPERSEDES ANY OTHER TERM OF ANY DOCUMENT EXECUTED IN CONNECTION WITH THE FRANCHISE.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the undersigned effective as of the Effective Date.

FRANCHISEE: _____

d/b/a Zerorez of _____

By: _____

Name: _____

Title: _____

By:_____

Name: _____

Title: _____

By:_____

Name: _____

Title: _____

COMPANY: ZEROREZ Franchising Systems, Inc.

By:_____

Name: _____

Title: _____

SCHEDULE A

OPERATING TERRITORY, INITIAL FRANCHISE FEE, MINIMUM ROYALTY FEE AND DEVELOPMENT SCHEDULE

The Operating Territory shall be as described on Schedule A-1.

Political and geographic boundaries described above or delineated in Schedule A shall be considered fixed as of the Effective Date of the Franchise Agreement and shall not change for the purpose hereof notwithstanding a political reorganization or change to such boundaries or regions.

	Lump Sum
Franchise Fee:	$_____

Minimum Royalty Payment

Households in Territory	Year 1 (4-15 months after Operations Commencement)	Year 2 (16-27 months after Operations Commencement)	Year 3 (28-39 months after Operations Commencement)	Year 4 and later (40 months or more after Operations Commencement
Less than 30,000 (Hometown Market)	$250	$500	$750	$750
Traditional market	$250	$500	$1,000	$1,500

The current minimum Royalty Fee (the **"Minimum Royalty Payment"**) is required to be paid beginning three (3) months from the commencement of your franchise operations ("**Operations Commencement**") and depends on the size of your territory.

Operations Commencement shall be the first day you start generating revenue. You agree to commence operations no later than_____[insert date].

You agree to develop the Operating Territory and to meet the Development Obligation set forth below.

You must meet or exceed the Gross Sales set forth below during the Term. Hometown markets are excluded from Development Obligations.

	Year 1 (4-15 months after Operations Commencement)	Year 2 (16-27 months after Operations Commencement)	Year 3 (28-39 months after Operations Commencement)	Year 4 and later (40 months or more after Operations Commencement
	$50,000	$100,000	$200,000	$300,000

SCHEDULE A-1

OPERATING TERRITORY

You specifically agree that your protected rights in the Operating Territory are limited to providing services to Residential Consumers and that your rights to provide services to Commercial Customers are limited as set forth in Section 1 of the Franchise Agreement. You may have to cease offering Commercial Services to Commercial Customers within and outside your Operating Territory with no compensation from the Company or any ZEROREZ franchisee.

_____
Initials

SCHEDULE B

LIST OF PARTNERS, OWNERS AND SHAREHOLDERS OF FRANCHISEE MUST EQUAL 100% OF ENTITY OWNERSHIP

Name: _____

Title: _____

Ownership Percentage: _____

Name: _____

Title: _____

Ownership Percentage: _____

Name: _____

Title: _____

Ownership Percentage: _____

Name: _____

Title: _____

Ownership Percentage: _____

Name: _____

Title: _____

Ownership Percentage: _____

Name: _____

Title: _____

Ownership Percentage: _____

SCHEDULE C

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)

[Important Instructions for Completing this Form: Before we can process your Franchise Agreement, you must sign and return this authorization. If, at the time you sign your Franchise Agreement, you do not have your account set up, or if you do not yet know your account information, please show that you agree to the terms of this authorization by signing this form, leaving the account information blank, and returning the signed form with your Franchise Agreement. You can give us your account information when you receive it, but we must have the information before you open your store. If you have any questions about what this form means, you should get advice from your lawyer, your accountant or your bank.]

Your Name (or name of legal entity on Franchise Agreement): _____

Your Social Security Number (or legal entity Federal Tax ID Number): _____

Name on Bank Account (if different than above): _____

The undersigned ("ACCOUNT HOLDER") hereby authorizes Zerorez Franchising Systems, Inc. ("COMPANY") to initiate debit entries and/or credit correction entries to ACCOUNT HOLDER's checking and/or savings account(s) listed below at the bank, credit union or other depository listed below ("BANK") and to debit such account per COMPANY's instructions for any and all amounts due to COMPANY. The ACCOUNT HOLDER understands that all amounts debited from the account below will be credited to COMPANY's account. **INSTEAD OF COMPLETING THE INFORMATION REQUIRED ON THE FOLLOWING FOUR LINES, YOU MAY ATTACH A CANCELLED OR VOIDED CHECK TO THIS AUTHORIZATION, BECAUSE A VOIDED CHECK INCLUDES ALL OF THIS INFORMATION.**

NAME OF BANK	Branch

City	State	Zip Code

Telephone Number of Bank	Contact Person at Bank
Bank Transit/ABA Number	Account Number

This authority is to remain in effect until BANK has received joint written notice from COMPANY and ACCOUNT HOLDER of the ACCOUNT HOLDER's termination. Any termination notice must be given in a way as to give BANK a reasonable opportunity to act on it. If a debit entry is initiated to ACCOUNT HOLDER's account in error, ACCOUNT HOLDER shall have the right to have the amount of the error credited to the account by BANK, if (a) within fifteen (15) calendar days following the date on which BANK sent to ACCOUNT HOLDER a statement of account or a written notice regarding such entry or (b) forty-five (45) days after posting, whichever occurs first, ACCOUNT HOLDER shall have sent to BANK a written notice identifying such entry, stating that such entry was in error and requesting BANK to credit the amount thereof to such account. These rights are in addition to any rights ACCOUNT HOLDER may have under federal and state banking laws.

_____
ACCOUNT HOLDER

By: _____

Title: _____

Date: _____

SCHEDULE D

GUARANTY

The persons who sign this Guaranty jointly and severally promise and guarantee to ZEROREZ Franchising Systems, Inc. that Franchisee will comply with and faithfully perform all of the Franchisee's obligations under the Franchise Agreement to which this Schedule D is attached, and under existing and future amendments and supplements to that Franchise Agreement, and all other obligations (now existing or hereafter created) to ZEROREZ Franchising Systems, Inc. This Guaranty is given to induce ZEROREZ Franchising Systems, Inc. to enter into the Franchise Agreement and is adequately supported by that consideration.

Any person who signs this Guaranty will have no obligation under this Guaranty under any amendments, supplements and other obligations created after the person has permanently terminated all direct and indirect interests in Franchisee and has delivered to ZEROREZ Franchising Systems, Inc., written notice of that termination. The written notice will be effective: (i) on the date that it is actually received by ZEROREZ Franchising Systems, Inc., at its then-current principal place of business, and (ii) only if it expressly states that the person disclaims any responsibility under this Guaranty for amendments supplements and other obligations created after the effective date of the notice. The persons who sign this Guaranty will by this Guaranty remain obligated under the Franchise Agreement and all amendments, supplements and other obligations created before the effective date of the notice.

The persons who sign this Guaranty understand that their execution of this document is required for ZEROREZ Franchising Systems, Inc., to enter into the Franchise Agreement, to which this Guaranty is attached as an exhibit, with the Franchisee thereof.

Signature:	_____	Signature:	_____
Name (print):	_____	Name (print):	_____
Address:	_____	Address:	_____
Date:	_____	Date:	_____
Signature:	_____	Signature:	_____
Name (print):	_____	Name (print):	_____
Address:	_____	Address:	_____
Date:	_____	Date:	_____

SCHEDULE E

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is entered into by _____ (collectively referred to herein as "Employee"), an employee of _____ ("Employer"), a franchisee of ZEROREZ Franchising Systems, Inc., a Delaware corporation whose address is 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003, ("Franchisor"), effective as of _____, 20__.

WHEREAS, in the normal course of his employment, the Employee has access to certain information that is confidential to either the Employer or the Franchisor, which information consists of items such as the identity of customers, pricing and business strategies, techniques, procedures, financial information, and business systems and plans (the "Confidential Information");

WHEREAS, the Employer is bound by certain confidentiality requirements in its Franchise Agreement with the Franchisor, including the obligation to have its employees sign a Confidentiality Agreement in the form of this Agreement;

WHEREAS, the Employee agrees that his continued employment is adequate and sufficient consideration for this agreement.

In consideration of the foregoing covenants, and for other good and valuable consideration, the Employee hereby agrees as follows:

1. Restrictions. Except as strictly necessary in the performance of Employee's work, duties and responsibilities for and to Employer, or as specifically authorized in writing by Employer and Franchisor, Employee covenants and agrees not to directly or indirectly: (a) disclose or transfer any Confidential Information to any other person, business or entity; or (b) use, sell or exploit any Confidential Information or aid, encourage or allow any other person, business or entity to disclose, transfer, use, sell or exploit any Confidential Information.

2. Documents. Any and all documents, operating manuals, notebooks, drawings, papers, plans, designs, computer programs, and computer storage media used, purchased, developed, or modified by Employer or Franchisor are the sole and exclusive property of Employer and/or Franchisor, and Employee shall deliver any and all of the foregoing in the possession or control of Employee to Employer upon Employer's request or upon termination of Employee's employment.

3. Survival. Employee acknowledges and agrees that this agreement relating to the disclosure of Confidential Information shall survive after the termination of Employee's employment with Employer and Employee shall comply with all covenants and agreements at all times after the termination of Employee's employment with Employer.

4. Injunctive Relief. Employee agrees that Employer shall be entitled to preliminary and other injunctive relief that may include, but shall not be limited to, restraining Employee from rendering any services or performing any activity that would breach this Agreement, an order for specific relief, and other equitable relief.

5. Miscellaneous. This Agreement cannot be modified or altered nor can any provision hereof be waived except in writing signed by Employer, Employee and Franchisor. In case any one or more of the provisions of this Agreement shall, for any reason, be held to be invalid, illegal, or unenforceable in any respect, any invalid, illegal, or unenforceable provision(s) shall be curtailed, limited, construed or eliminated to the extent necessary to remove the invalidity, illegality, or unenforceability with respect to the applicable law as it shall then be applied and the other provisions of this Agreement shall not be affected thereby. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah. In the event of an action relating to the performance, breach or interpretation of this Agreement, the prevailing party in the action shall be entitled to recover from the non-prevailing party all reasonable costs and expenses of the action, including attorneys' fees, court costs, and costs of investigation.

Employee Address:

_____

_____

_____

Employee's Signature

EXHIBIT C

FINANCIAL STATEMENTS

AUDITOR'S CONSENT

Tel: 303-803-1120
Fax: 303-830-8130
www.bdo.com

303 East 17th Avenue, Suite 600
Denver, CO 80203

Zerorez, Inc. and Subsidiaries
American Fork, Utah

BDO USA, P.C. consents to the use in the Franchise Disclosure Document issued by Zerorez Franchising Systems, Inc. (Franchisor) on March 31, 2026, as it may be amended, of our reports dated March 31, 2026 and March 31, 2025, relating to our audits of the consolidated financial statements of Zerorez, Inc. (Parent) and Subsidiaries as of December 31, 2025, 2024 and 2023 and for the fiscal years then ended.

BDO USA, P.C.

March 31, 2026

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Zerorez, Inc. and Subsidiaries

Consolidated Financial Statements
As of and for the Years Ended December 31, 2025
and December 31, 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional service corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee.

Zerorez, Inc. and Subsidiaries

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Tel: 303-830-1120
Fax: 303-830-8130
www.bdo.com

303 E. 17th Avenue, Suite 600
Denver, CO 80203

Independent Auditor's Report

Board of Directors
Zerorez, Inc. and Subsidiaries
American Fork, Utah

Opinion

We have audited the consolidated financial statements of Zerorez, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and comprehensive loss, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to 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, 2025 and 2024, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a

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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 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.

BDO USA, P.C.

March 31, 2026

Zerorez, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31,	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	$ 5,420,604	$ 3,202,871
Restricted cash	259,268	78,889
Accounts receivable, net	1,459,396	1,121,223
Prepaid expenses and other current assets	1,522,149	1,512,211
Notes receivable, current portion	121,542	128,268
Total current assets	8,782,959	6,043,462
Property and equipment, net	6,176,741	8,740,570
Operating lease right-of-use-assets, net	10,504,659	8,864,877
Finance lease right-of-use-assets, net	5,155,888	4,821,222
Goodwill, net	23,443,856	21,955,790
Intangible assets, net	18,789,037	20,038,537
Investments	-	100,000
Notes receivable, net of current portion	221,935	470,187
Deposits and other long term assets	419,313	353,336
Total assets	$ 73,494,388	$ 71,387,981

Continued.

Zerorez, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31,	2025	2024
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$ 1,427,958	$ 1,113,081
Accrued expenses and other liabilities	4,938,180	4,972,054
Contract liabilities, current portion	278,648	744,962
Notes payable, current portion	1,583,054	5,387,500
Operating lease liabilities, current portion	2,174,433	1,749,549
Finance lease liabilities, current portion	965,176	820,287
Income taxes payable	67,229	67,229
Total current liabilities	11,434,678	14,854,662
Contract liabilities, net of current portion	3,725,372	4,203,179
Notes payable, net of current portion and debt issuance costs	18,770,590	13,850,724
Operating lease liabilities, net of current portion	9,057,944	7,681,571
Finance lease liabilities, net of current portion	3,068,713	2,922,017
Other long-term liabilities	8,030,123	6,158,350
Total liabilities	54,087,420	49,670,503
Commitments and contingencies (Note 13)		
Stockholder's equity:		
Common stock, $1 par value, 100 shares authorized, issued and outstanding	100	100
Additional paid-in capital	56,182,152	48,934,550
Accumulated deficit	(36,941,603)	(27,354,817)
Accumulated other comprehensive income	166,319	137,645
Total stockholder's equity	19,406,968	21,717,478
Total liabilities and stockholder's equity	$ 73,494,388	$ 71,387,981

See accompanying notes to consolidated financial statements.

Zerorez, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

Year Ended December 31,	2025	2024
Revenues:		
Cleaning services income	$ 76,503,001	$ 68,148,688
Royalty fees	2,440,532	2,365,584
Brand fund contributions	1,281,968	1,177,511
Franchise fees	772,397	1,214,513
Technology, service fees and other	522,157	489,619
Total revenues	81,520,055	73,395,915
Operating expenses:		
Cost of cleaning services	33,360,340	28,338,365
General and administrative expenses	28,955,018	27,057,621
Advertising and marketing expenses	13,603,349	12,897,702
Depreciation and amortization expense	11,608,481	12,424,453
Total operating expenses	87,527,188	80,718,141
Loss from operations	(6,007,133)	(7,322,226)
Other (expense) income:		
Interest expense	(2,453,362)	(2,503,244)
Other (expense) income, net	(1,034,055)	965,268
Total other expense, net	(3,487,417)	(1,537,976)
Loss before income taxes	(9,494,550)	(8,860,202)
Income tax expense	92,236	67,229
Net loss	(9,586,786)	(8,927,431)
Other comprehensive income:		
Foreign currency translation adjustment	28,674	137,645
Total comprehensive loss	$ (9,558,112)	$ (8,789,786)

See accompanying notes to consolidated financial statements.

Zerorez, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Stockholder's Equity	Non-Controlling Interest	Accumulated Other Comprehensive Income	Total Stockholder's Equity
	Shares	Amount						
Balance, January 1, 2024	100	$ 100	$ 40,939,653	$ (18,427,386)	$ 22,512,367	$ 2,869	$ -	$ 22,515,236
Contributions	-	-	8,000,000	-	8,000,000	-	-	8,000,000
Equity-based compensation	-	-	242,028	-	242,028	-	-	242,028
Repurchase of non-controlling interest	-	-	(247,131)	-	(247,131)	(2,869)	-	(250,000)
Foreign currency translation adjustment	-	-	-	-	-	-	137,645	137,645
Net loss	-	-	-	(8,927,431)	(8,927,431)	-	-	(8,927,431)
Balance, December 31, 2024	100	100	$ 48,934,550	$ (27,354,817)	$ 21,579,833	$ -	$ 137,645	$ 21,717,478
Contributions	-	-	7,161,540	-	7,161,540	-	-	7,161,540
Equity-based compensation	-	-	86,062	-	86,062	-	-	86,062
Foreign currency translation adjustment	-	-	-	-	-	-	28,674	28,674
Net loss	-	-	-	(9,586,786)	(9,586,786)	-	-	(9,586,786)
Balance, December 31, 2025	100	$ 100	$ 56,182,152	$ (36,941,603)	$ 19,240,649	$ -	$ 166,319	$ 19,406,968

See accompanying notes to consolidated financial statements.

Zerorez, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31,	2025	2024
Cash flows from operating activities:		
Net loss	$ (9,586,786)	$ (8,927,431)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	11,608,481	12,424,453
Amortization and write off of debt-issuance costs	62,913	58,226
Loss on extinguishment of debt	121,619	-
Gain on termination of operating lease	(42,562)	-
Credit loss expense	152,798	668,997
Equity-based compensation expense	86,062	242,028
Net loss on divestiture of investments	100,000	-
(Gain) loss on property and equipment disposal	(9,764)	187,679
Non-cash interest on contract settlement liability	340,755	336,769
Non-cash lease expense	2,152,033	2,094,005
Change in fair value of contingent consideration	982,500	(1,121,721)
Loss on remeasurement of contract settlement liability	-	65,714
Changes in operating assets and liabilities, net of business acquisition:		
Accounts receivable	250,600	(100,137)
Prepaid expenses and other current assets	(9,938)	(268,639)
Deposits and other long-term assets	(69,047)	(135,503)
Accounts payable	314,877	(505,108)
Accrued expenses and other liabilities	(2,524,149)	(1,099,660)
Income tax payable	-	67,229
Contract liabilities	(778,593)	(1,177,674)
Operating lease liabilities	(1,970,485)	(1,694,521)
Net cash provided by operating activities	1,181,314	1,114,706
Cash flows from investing activities:		
Acquisition of a business, net	(2,825,526)	(1,250,000)
Purchases of property and equipment	(1,364,958)	(1,413,543)
Finance lease downpayments and initial upfront costs	(402,844)	(1,262,223)
Capitalized software development costs	(835,730)	(467,808)
Proceeds from sale of property and equipment	194,633	99,933
Collection on notes receivable	72,029	237,855
Net cash used in investing activities	(5,162,396)	(4,055,786)

Continued.

Zerorez, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31,	2025	2024
Cash flows from financing activities:		
Proceeds from line of credit	2,500,000	1,000,000
Repayments of line of credit	(2,500,000)	(1,000,000)
Proceeds from notes payable	20,659,886	-
Repayments of notes payable	(19,445,851)	(4,062,500)
Payment of contract settlement liability	(350,000)	(350,000)
Payment of debt issuance costs	(504,256)	-
Contributions	7,161,540	8,000,000
Payments on finance lease liabilities	(907,122)	(215,757)
Payment of contingent consideration	(300,000)	(490,000)
Net cash provided by financing activities	6,314,197	2,881,743
Effect of exchange rate on cash, cash equivalents, and restricted cash	64,997	171,796
Net change in cash, cash equivalents, and restricted Cash	2,398,112	112,459
Cash, cash equivalents, and restricted cash, beginning of year	3,281,760	3,169,301
Cash, cash equivalents, and restricted cash, end of year	$ 5,679,872	$ 3,281,760
Supplemental cash flow information:		
Cash paid for interest	$ 1,803,002	$ 2,108,249
Cash paid for taxes	$ -	$ -
Supplemental Non-Cash Information:		
Seller holdback liability for acquisition of business	$ 476,018	$ 1,500,000
Write-off of note receivable against contract liabilities	$ 165,528	$ 78,771
Operating lease liabilities obtained in exchange for right-of-use assets	$ 4,209,166	$ 4,049,578
Finance lease liabilities obtained in exchange for right-of-use assets	$ 1,198,707	$ 3,958,061
Increase in accounts payable for purchases of property and equipment	$ -	$ 167,047
Note payable issued for purchase of non-controlling interest	$ -	$ 250,000

See accompanying notes to consolidated financial statements.

1. Organization and Description of Business

Zerorez, Inc. ("Zerorez"), a Delaware corporation, was formed on June 10, 2022, to acquire the entire stock of Zerorez Franchising Services, Inc. and its subsidiaries ("ZFS") and to acquire the assets of certain franchisees' of ZFS, pursuant to a plan and merger agreement and an asset purchase agreement dated Augst 15, 2022. Zerorez offers residential and commercial cleaning services for carpets, tile, fabric, upholstery, hard surfaces, and air ducts, through its patented technology that cleans using electrolyzed water. Zerorez branded services are provided through its 22 company-owned outlets and ZFS is a franchisor with franchisees throughout North America and the United Kingdom. Additionally, Limpiex Cleaning Service, LLC ("Limpiex"), a wholly owned subsidiary of Zerorez, provides commercial cleaning and janitorial services in the northeast United States. Zerorez is headquartered in American Fork, Utah.

Zerorez is wholly owned by Zerorez Holdings, LLC (the "Parent"). The Parent has no significant operations, and its assets principally are comprised of its investment in Zerorez.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as codified by the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU").

As of December 31, 2025, the accompanying consolidated financial statements include the accounts and operating results of Zerorez and its subsidiaries, which consisted of the following:

ZFS
Profectus International LLC ("Profectus")
Zerorez UK LLC Ltd ("Zerorez UK")
Z Intellectual Property Holding Co. LLC ("ZIP")
Limpiex

These entities are collectively referred to as the "Company". Intercompany balances and transactions have been eliminated upon consolidation.

As of December 31, 2025 and 2024, the above entities were wholly owned. As of January 1, 2024, the Company had a 50% ownership interest in Zerorez Richmond, LLC ("Zerorez Richmond"). During the year ended December 31, 2024, the Company acquired the other 50% ownership interest in Zerorez Richmond from a non-controlling interest holder for $250,000. In accordance with ASC 810, *Consolidation* ("ASC 810") the difference between the consideration paid and ownership interest obtained was recorded as a reduction to additional paid-in capital. Zerorez Richmond was dissolved during the year ended December 31, 2025.

In accordance with ASC 810, the Company evaluates its interests in variable interest entities on an ongoing basis. If the Company, together with its related parties and de facto agents, is determined to have the power to direct the activities that most significantly impact the variable interest entity's economic performance and has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant, the Company is deemed the primary

beneficiary and consolidates that entity into its financial results. Factors that are considered when making the primary beneficiary assessment include whether the Company or its related parties participated in the design of the entity, whether the entity's activities either involve or are conducted on behalf of the Company or its related parties, whether the Company or its related parties have provided more than half of the total equity or subordinated debt, and whether the Company or its related parties have rights, through voting, board representation, or other agreements, to direct the activities that most significantly impact the variable interest entity's economic performance. The Company concluded that it was the primary beneficiary of Zerorez Richmond, prior to the acquisition of the non-controlling interests, and accordingly, consolidated this entity into its financial results.

Foreign Currency

The accompanying consolidated financial statements are presented in United States dollars ("USD") as the reporting currency. For the UK subsidiary where the Company has determined that the functional currency is the entity's local currency, the assets and liabilities of such subsidiaries are translated into USD using exchange rates in effect at the balance sheet date. The revenue and expenses of such subsidiaries are translated into USD using average exchange rates in effect during the reporting period. Any translation adjustments are presented as accumulated other comprehensive income, within stockholder's equity in the accompanying consolidated statements of changes in stockholder's equity. Foreign currency transaction gains and losses are included in other income, net within the accompanying consolidated statements of operations and comprehensive loss and were immaterial for all periods presented.

Use of Estimates

The preparation of the consolidated financial statements, in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 most significant accounting estimates relate to the allowance for credit losses, the estimated useful lives and values of depreciable and amortizable assets, the calculation of and allowance for deferred taxes, estimates to derive the fair value of assets acquired and liabilities assumed in connection with business combinations, fair value of contingent consideration from business combinations, and assumptions used in determining the fair value of equity-based compensation. Accordingly, actual results could differ from those estimates and such differences could be material.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase and deposits in transit from debit and credit card processors to be cash equivalents. Debit and credit card transactions are short-term and highly liquid in nature. Interest income is recorded for interest-bearing cash accounts and is included within other (expense) income, net in the consolidated statements of operations and comprehensive loss.

Restricted Cash Held for Brand Fund

Restricted cash is related to cash that franchisees contribute to the Company's Brand fund. Cash contributed by franchisees to the Brand fund is to be used in accordance with the franchise

agreement for national, regional, and local marketing and advertising of services to increase Brand awareness. As such, the restricted cash is required to be set aside and is not available for the Company's general business use.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash from the consolidated balance sheets as of December 31, 2025 and 2024 to the statements of cash flows for years then ended, respectively:

December 31,	2025	2024
Cash and cash equivalents	$ 5,420,604	$ 3,202,871
Restricted cash	259,268	78,889
Total cash, cash equivalents and restricted cash, as shown on the consolidated statements of cash flows	$ 5,679,872	$ 3,281,760

Concentrations of Credit Risk

The Company maintains bank accounts with a banking institution in which the deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC"). Such deposits may, at times, exceed the FDIC insured limit of $250,000 for each account. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties. As of December 31, 2025, the Company's deposits in excess of FDIC insured limits were approximately $4,711,000. As of December 31, 2025 and 2024, there were no losses incurred with respect to excess amounts over the FDIC insured limits.

Accounts Receivable, Notes Receivable and Allowance for Credit Losses

Accounts receivable represent receivables due from the sale of services to customers and royalties and other fees due from the Company's franchisees. The Company records receivables from services at the time a transaction is completed, which is recorded at net realizable value. Royalty receivables are based on a percentage of the franchisee's net sales, as defined in the franchise agreement, payable monthly and include invoiced amounts and unbilled amounts to be invoiced in the month subsequent to year-end.

Notes receivable comprise certain initial franchise and territory fees, which are payable under the terms of a note receivable agreement that specifies the repayment period, which range from 24 to 36 months, and/or cash advances to franchisees. The notes are not interest bearing unless in default of the terms of the agreement, as defined. The Company determined imputed interest at inception of the notes, and recognizes interest income over the repayment term, when applicable.

The Company maintains an allowance for expected credit losses to reserve for potential uncollectible receivables. The allowance is recognized in an amount equal to anticipated future write-offs over the expected life of the receivables. The Company estimates the allowance for credit losses based on historical experience, customer payment practices, credit quality of the franchisee, current economic trends, and subsequent collections from the balance sheet date. Actual credit losses could differ from those estimates. Account balances are charged off against the allowance when management believes it is probable the receivable will not be recovered. The allowance for credit losses at December 31, 2025, December 31, 2024, and January 1, 2024 was

approximately $372,000, $433,000, and $246,000, respectively. Direct charge-offs, net of recoveries, totaled $229,000 and $482,000 for the years ended December 31, 2025 and 2024, respectively.

Property and Equipment

Property and equipment is stated at cost, or fair value when acquired in a business combination, less accumulated depreciation. The cost of improvements that enhance the estimated useful life of property and equipment are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts. The cost of maintenance and repairs, which are not significant improvements, are expensed when incurred.

Depreciation and amortization are provided utilizing the straight-line method over the following estimated useful lives:

Vehicles	2-5 years
Equipment, furniture and fixtures, and other	3-7 years
Leasehold improvements	Shorter of lease term or 15 years

Property and equipment acquired in a business combination are depreciated over the remaining useful life of the asset.

Intangible Assets

Intangibles Resulting from Business Combinations

The Company's intangible assets from business combinations are amortized over their period of expected benefit, and the useful lives and amortization methods are as follows:

Trade name	Straight-line method	10-11 years
Developed technology	Straight-line method	5 years

Capitalized Software Development Costs

The Company capitalizes the costs associated with software development when the preliminary project stage is completed, and the software will be used to perform the function intended. These capitalized costs include external direct costs of services consumed in developing or obtaining internal-use software. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for upgrades and enhancements to the products are also capitalized. Once placed into service, the capitalized software development costs are amortized on a straight-line basis over their period of expected benefit which is estimated to be three to five years. Costs incurred related to less significant modifications and enhancements, as well as maintenance, are expensed as incurred. Post-configuration training and maintenance costs are expensed as incurred. Software development and implementation is associated with the Company's proprietary customer relationship management software, which is used by the Company and its franchisees and the Company does not transfer ownership to its franchisees. Capitalized software development costs are included within intangible

assets on the accompanying consolidated balance sheet. Capitalized costs were approximately $836,000 and $468,000 for the years ended December 31, 2025 and 2024, respectively.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, such as property and equipment, right-of-use ("ROU") assets and intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. Estimates of expected future cash flows represent management's best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized is permanent and may not be restored. As of December 31, 2025 and 2024, the Company determined that an impairment did not occur.

Goodwill

Goodwill represents the excess of the purchase price over the value assigned to assets acquired and liabilities assumed in connection with a business combination. The Company elected to adopt the private company alternative with respect to goodwill, under which goodwill is amortized on a straight-line basis over a period not to exceed ten years. The Company amortizes goodwill over ten years. The Company also has elected the accounting alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period and at the entity level.

Circumstances that could require an impairment assessment include, but are not limited to, (i) a significant adverse change in legal factors or business climate, (ii) the emergence of increased competition, (iii) an adverse action or assessment by a governmental agency or regulator, or (iv) overall financial performance such as negative or declining cash flows. If that qualitative assessment indicates that it is more likely than not that the goodwill is impaired, the entity must perform the quantitative test to compare the entity's fair value with its carrying amount, including goodwill. If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is not required.

The fair value of the entity is estimated using various valuation techniques, including the discounted value of estimated future cash flows (an income approach). Assumptions regarding future cash flows and growth rates are based on the annual operating budget and long-term plans and discount rate assumptions are based on an assessment of the risk inherent in the entity. If the carrying amount exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss represents the excess of the carrying amount of the entity over its fair value and cannot exceed the entity's carrying amount of goodwill. As of December 31, 2025, and 2024, the Company determined that an impairment did not occur.

Accounting for Business Combinations

The Company accounts for acquisitions under ASC 805, *Business Combinations* ("ASC 805"). Under ASC 805, an acquiring entity is required to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at fair value as of the acquisition date.

The determination of fair value involves the use of estimates and assumptions, along with the application of various valuation techniques. These estimates may include projections of future cash flows related to specific assets and the assessment of future lives based on the expected future period of benefit of the asset. The value assigned to goodwill is the residual of the purchase price of the fair value of all identifiable assets acquired, excluding assembled workforce (which cannot be accounted for separately from goodwill), less all liabilities assumed and any non-controlling interest. Related acquisition costs are expensed as incurred.

U.S. GAAP allows an alternative for an entity that does not meet the definition of a public business entity to not recognize separately from goodwill customer related intangible assets unless they are capable of being licensed independently from the other assets of the business and noncompetition agreement. The Company has elected to adopt this accounting alterative and has included the fair value, if any, of customer relationships and noncompetition agreements as a component of goodwill, which is amortized.

Fair Value of Financial Instruments

The Company follows the accounting guidance prescribed in ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). Among other requirements, ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure about the use of fair value to measure assets and liabilities. Fair value is a market-based measure based on the perspective of a market participant that holds the asset or owes the liability, rather than an entity-specific measure. Therefore, when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability on a measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1: Observable inputs, such as quoted prices in active markets for identical assets or liabilities to which the Company has access at a measurement date.

Level 2: Observable inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, 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: Unobservable inputs for which little or no market data exists, and for which the Company must develop its own assumptions regarding the assumptions that market participants would use in pricing the asset or liability, including assumptions regarding risk.

The fair value of the Company's short-term financial instruments, including receivables, prepaid and other current assets, accounts payable and accrued expenses and other liabilities, arising in the ordinary course of business, approximated their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the

Company's line of credit, notes payable and notes receivable approximates its carrying value as interest rates are reflective of market rates. Non-recurring fair value measurements relate to unobservable inputs used in deriving the fair value of equity-based compensation, certain assets acquired and liabilities assumed, and contingent consideration in connection with business combinations, which are classified within Level 3 of the fair value hierarchy. Recurring fair value measurements relate to subsequent measurement of contingent consideration liabilities. See Note 3, Note 12, and Note 14 for further information.

Cost Method Investments

Investee companies not accounted for under the consolidation, or over which the Company determined it does not exercise significant influence, are accounted for under the cost method of accounting. Whether or not the Company exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, investee dependence on the investor, and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company. Under the cost method, the Company's share of the earnings or losses of the investee company are not recorded, and income is only recognized to the extent dividends are received from the investee. Impairment charges, if any, are recognized when circumstances suggest that the cost of the investment is not recoverable.

As of December 31, 2025 and 2024, and for the years then ended, the Company held a 15% interest in Letesoft, LLC, for which the carrying value was de minimis. As of December 31, 2024, and for the year then ended, the Company held a 10% interest in Zerorez Central Oregon, LLC ("Zerorez Oregon"). During 2025, the Zerorez Oregon ceased operations and was dissolved. The Company wrote off the carrying value of the investment incurring a loss of $100,000 which is included in other (expense) income, net on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2025. As of December 31, 2025 and 2024, the carrying value of cost method investments was $0 and $100,000, respectively.

Debt Issuance Costs

Debt issuance costs incurred in connection with obtaining or modifying debt have been capitalized in the accompanying consolidated balance sheets and are being amortized using the effective interest method over the term of the borrowing repayment period, unless the debt obligation is terminated earlier, in which case the remaining costs are expensed in the period of termination. Debt issuance costs relating to line of credit arrangements are presented as other long-term assets and financing costs relating to term loan arrangements are presented as a reduction of long-term debt.

Contract Liabilities

Amounts received prior to satisfying the revenue recognition criteria are recorded as contract liabilities in the accompanying consolidated balance sheets. Amounts not expected to be recognized within the next twelve months are classified as contract liabilities, net of current portion. During the year ended December 31, 2025, the Company recognized approximately $704,000 of revenue which was included in the contract liability balance as of December 31, 2024. During the year ended December 31, 2024, the Company recognized approximately $1,221,000 of revenue which was included in the contract liability balance as of January 1, 2024.

Revenue Recognition

The Company accounts for revenue in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligation in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

Cleaning Services Income

Revenue associated with cleaning services, provided to residential and commercial customers, is recognized when the performance obligation is satisfied, which occurs upon delivery of the service to the customer. Revenue recognized excludes sales taxes collected from customers.

Franchise Revenues

The Company's franchise agreement outlines the rights and responsibilities of the Company and its franchisees and requires the Company to perform various activities to support the Brand that do not directly transfer goods and services to the franchisee. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality and substantially all of the utility is derived from its association with the Company's past or ongoing activities.

The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the Brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such, are considered to represent a single performance obligation. Nonpublic company franchisors may apply a practical expedient that permits pre-opening activities provided to a franchisee to be accounted for as distinct from the franchise license, if the pre-opening activities are consistent with those activities included in a predefined list within the guidance. For the Company, those activities primarily relate to training services. The Company has made an accounting policy election to account for the pre-opening services as a single bundled performance obligation, as allowed under ASC 606. Therefore, the Company has two performance obligations: a franchise license and pre-opening services.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) royalty fees; (c) Brand fund fees; and (d) technology fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

The Company recognizes the primary components of the transaction price as follows:

Royalty Fees and Brand Fund Fees

Royalties and franchisee contributions to the Brand fund are calculated as a percentage of franchisee sales, per percentages as defined in the franchise agreement (currently 6% for royalties and up to 3% for Brand fund contributions), over the term of the franchise agreement and recorded monthly. Royalties and Brand fund contributions represent sales-based fees that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee-level sales occur. Royalties are collected monthly and are reflected in royalty fee revenue in the accompanying consolidated statements of operations and comprehensive loss. Brand fees are reflected in Brand fund contributions in the accompanying consolidated statement of operations and comprehensive loss.

Franchise Fees

Upon execution of an initial franchise agreement, the Company requires a non-refundable upfront franchisee fee ("initial fee"). The franchise agreement defines a specific geographic territory, and if the defined territory is in excess of a specific number of households, as defined, the franchisee will pay additional non-refundable consideration ("additional franchise fee"). The number of households to the territory is based on the most recently available U.S. Census. The initial fee and additional franchise fee allow the franchisee the exclusive right to conduct business within its defined territory. Terms of the franchise agreement allow the franchisee non-exclusive rights to offer products and services outside of their defined territory, as defined. Additionally, the Company may sell existing franchisees additional exclusive territories when the franchisee desires to expand their presence and/or open additional locations. The Company's services under the franchise agreement include training of franchisees and staff and ongoing operations support.

The transaction price the Company is entitled to receive is allocated between the performance obligations (i.e., the pre-opening services and the franchise license) in proportion to its standalone selling price. Revenue is recognized for pre-opening services when the bundle of services has been completed and satisfied. Revenue allocated to the franchise license is recognized ratably on a straight-line basis over the term of the franchise agreement, which is generally 10 years.

The Company recognized approximately $119,000 of pre-opening services at a point in time while approximately $653,000 of franchise license revenue was recognized over time for the year ended December 31, 2025. The Company recognized approximately $109,000 of pre-opening services at a point in time while approximately $1,106,000 of franchise license revenue was recognized over time for the year ended December 31, 2024.

Technology, Service Fees and Other

Technology fees for use of the Company's propriety software and information technology support, as defined in the franchise agreement, are charged on a monthly basis to the franchisee.

Service fees for various training and other services provided by the Company to the franchisee, as defined in the franchise agreement, are charged as incurred.

Other revenues are comprised primarily of agreements with suppliers that entitle the Company to receive rebates for required use of certain products by the Company's franchisees as defined in the franchise agreement. Rebates are recognized as revenue when earned.

Fees described above are reflected in technology, service fee and other in the accompanying consolidated statements of operations and comprehensive loss. For the year ended December 31, 2025, the Company recognized approximately $361,000 related to technology fees, and approximately $161,000 related to rebates. No service fee revenue was earned. For the year ended December 31, 2024, the Company recognized approximately $381,000 related to technology fees, and approximately $109,000 related to rebates. No service fee revenue was earned.

Leases

The Company accounts for leases in accordance with ASC 842 *Leases: Topic 842* ("ASC 842"). The Company determines if an arrangement is a lease at inception of a contract. At lease commencement, leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: (1) the lease transfers ownership of the underlying asset by the end of the lease term; (2) the lease contains an option to purchase the underlying asset that is reasonably certain to be exercised; (3) the lease term is for a major part of the remaining economic life of the underlying asset; (4) the present value of the sum of lease payments and any guaranteed residual value that is not already included in the lease payments equals or exceeds substantially all of the fair value of the underlying asset; or (5) the underlying asset is of such a specialized nature that is expected to have no alternative use to the lessor at the end of the lease term. A lease is classified as an operating lease if it does not meet any one of these criteria.

For leases with an initial term greater than 12 months, a related lease liability is recorded on the balance sheet at the present value of future lease payments over the lease term. As the rate implicit in the Company's leases is not readily determinable, the Company uses an incremental borrowing rate that is estimated to approximate the interest rate the Company would have to pay to borrow on a collateralized basis with similar terms and payments in an economic environment similar to where the leased asset is located. The lease liability is determined as the present value of future lease payments over the lease term. The ROU asset is recorded at the initial amount of the lease liability, plus any lease payments made to the lessor before or at the lease commencement date and any initial direct costs incurred, less any tenant improvement allowance incentives received. Lease terms may include options to extend or terminate the lease. These options are included in the lease term when it is reasonably certain that the option will be exercised.

The Company elected the practical expedient related to treating lease and non-lease components as a single lease component for all leases as well as electing a policy exclusion permitting leases with an original lease term of less than one year to be excluded from the ROU assets and lease liabilities.

Operating lease expense is recognized on a straight-line basis over the lease term. Tenant incentive allowances received from the lessor are amortized through the ROU asset as a reduction of rent expense over the lease term. For finance leases, the ROU assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life, unless the terms of the lease include a bargain purchase option or transfer ownership at the end of the lease term in which the ROU asset is amortized over the estimated useful life. Interest for finance leases is recognized using

the effective interest method over the lease term. Variable lease payments that are not based on an index or that result from changes to an index subsequent to the initial measurement of the corresponding lease liability are not included in the measurement of ROU assets or lease liabilities and instead are recognized in earnings in the period in which the obligation for those payments is incurred. Leases with an initial term of 12 months or less (short-term leases) are not recorded on the consolidated balance sheets. Short-term lease expense is recognized on a straight-line basis over the lease term.

Equity-Based Compensation

Equity-based compensation is accounted for as an expense in accordance with ASC 718, *Compensation - Stock Compensation* ("ASC 718"), which requires compensation cost for the grant-date fair value of equity-based awards to be recognized over the requisite service period. For awards subject to service conditions, compensation expense is recognized over the vesting period on a straight-line basis. The fair value is based on the Black Scholes Option Pricing Model. The Company accounts for forfeitures when they occur, and any compensation expense previously recognized on unvested equity-based awards will be reversed when forfeited. See Note 14 for further information.

Income Taxes

The Company is taxed as a corporation under the provisions of the United States Internal Revenue Code. Under those provisions, the Company pays federal, state and foreign income taxes on its taxable income. The Company is subject to income taxes in the U.S., the U.K., and certain state jurisdictions. The provision for income taxes represents actual or estimated amounts payable or refundable on tax return filings each year. Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying consolidated balance sheet, and for operating loss and tax credit carry forwards and carrybacks. The change in deferred tax assets and liabilities for the period measures the deferred tax provision or benefit for the period. Effects of changes in enacted tax laws on deferred tax assets and liabilities are reflected as adjustments to the tax provision or benefit for the period of enactment. Valuation allowances are provided against deferred tax assets when it is determined that it is more likely than not that such assets will not be recovered.

In accordance with FASB ASC Topic 740, *Income Taxes*, management has evaluated the Company's tax positions and concluded that the Company has taken no material uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Penalties and interest, if any, would be reflected in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive loss.

Advertising Costs

The Company expenses the cost of advertising as incurred. Advertising and marketing expenses in the accompanying consolidated statements of operations and comprehensive loss includes approximately $11,881,000 and $11,242,000 of advertising costs, for the years ended December 31, 2025 and 2024, respectively.

Recently Issued Accounting Pronouncements - Current Adoption

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Topic 326)*. This update provides (1) a practical expedient available to all companies allowing them to assume that conditions as of the balance sheet date will remain unchanged over the remaining life of the receivable, and (2) an accounting policy election for private companies permitting the consideration of collections received after the balance sheet date. During the year ended December 31, 2025, the Company early adopted the guidance in ASU 2025-05 on a prospective basis. The impact of adoption on the consolidated financial statements was determined to be de minimis.

Recently Issued Accounting Pronouncements - Future Adoption

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This update revises the accounting model for internal-use software to better align with modern development practices, including cloud-based and iterative development approaches. The amendments provide updated guidance on capitalization, as well as related presentation and disclosure requirements. This update is effective for annual periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the ASU to determine its impact on the consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this update are intended to enhance the transparency and decision usefulness of income tax disclosures primarily through changes to the rate reconciliation and income taxes paid information. This update is effective for annual periods beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the ASU to determine its impact on the consolidated financial statements and related disclosures.

3. Business Combinations

2025 Acquisition - Limpiex

Effective July 31, 2025, Zerorez entered into an equity purchase agreement to acquire 100% of the shares of Limpiex. The consideration in the transaction was comprised of cash, an amount held back which is payable to the seller, and contingent consideration. See Note 7 for information on the seller holdback liability. The contingent consideration provisions are based on fiscal year 2025 and 2026 adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") targets, as defined. For each year, if the targets are met, final payments are determinable based on a defined multiple of EBITDA, but would be no less than approximately $2,380,000. At acquisition date, the fair value of the contingent consideration was $2,850,000.

The fair value of the purchase price, assets acquired, and liabilities assumed are based on third-party valuation studies and management estimates in accordance with ASC 805. Fair value estimates are based on complex series of judgements about future events and uncertainties and rely heavily on estimates and assumptions. The judgements used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets lives and the expected future cash flows and related discount rates, can impact the Company's consolidated financial statements. The fair value of the trade name acquired was determined using the relief from royalty method. Assumptions in the valuation of the trade name include an internal rate of return of 34.6%, weighted average cost of capital of 34.5%, discount rate of 34.0%, and income tax rate of 26.9%.

The fair value of contingent consideration was based on unobservable inputs using a Black Scholes-Option Pricing Model, with inputs that included estimated amount and timing of EBITDA, discount rate of 34.0%, expected term of 0.21 to 0.92 years, volatility of 80.0%, and risk-free rate of approximately 4.1% - 4.4%. Refer to Note 12 for information on subsequent measurement of the contingent consideration.

The fair value of assets acquired and liabilities assumed was as follows:

Cash	$	319,414
Accounts receivable		724,150
Property and equipment		144,800
Operating lease right-of-use-assets		79,472
Intangible asset - trade name		1,160,000
Accounts payable and accrued expenses		(362,775)
Operating lease liabilities		(79,472)
Total fair value of net assets acquired		1,985,589
Goodwill		4,485,369
Total purchase price	$	6,470,958

Goodwill reflects the expected synergies and other benefits that the Company believes will result from the combination of Limpiex and expanded market opportunities along with the value of the assembled workforce.

The fair value of the purchase price was as follows:

Cash paid upon acquisition	$	3,144,940
Contingent consideration		2,850,000
Seller holdback liability		476,018
Total purchase price	$	6,470,958

The cash paid upon acquisition was funded by the Company with cash on hand. Acquisition related costs incurred by the Company were approximately $473,000 which are included in general and administrative expenses on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2025. The total amount of goodwill recognized in the transaction expected to be deductible for tax is approximately $4,486,000.

2024 Acquisition - Southern California franchise

Effective June 25, 2024, Zerorez entered into an asset purchase agreement to acquire the assets of ZSC, LLC. The consideration paid or payable consisted of cash and an amount held back which is payable to the sellers. See Note 7 for information on the seller holdback liability.

The fair value of the purchase price, assets acquired, and liabilities assumed are based on third-party valuation studies and management estimates in accordance with ASC 805. Fair value estimates are based on complex series of judgements about future events and uncertainties and rely heavily on estimates and assumptions. The judgements used to determine the estimated fair value assigned

to each class of assets acquired and liabilities assumed, as well as assets lives, can impact the Company's consolidated financial statements.

The fair value of assets acquired and liabilities assumed was as follows:

Property and equipment	$	517,200
Operating lease right-of-use-assets		248,871
Operating lease liabilities		(248,871)
Total fair value of net assets acquired		517,200
Goodwill		2,232,800
Total purchase price	$	2,750,000

Goodwill reflects the expected synergies and other benefits that the Company believes will result from the combination of the Southern California Franchise and expanded market opportunities along with the value of the assembled workforce.

The fair value of the purchase price was as follows:

Cash paid upon acquisition	$	1,250,000
Seller holdback liability		1,500,000
Total purchase price	$	2,750,000

The cash paid upon acquisition was funded by the Company with cash on hand. Costs incurred by the Company related to the acquisition were $165,000 which are included in general and administrative expenses on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2024. The total amount of goodwill recognized in the transaction expected to be deductible for tax is approximately $2,233,000.

4. Property and Equipment

Property and equipment consisted of the following:

December 31,		2025		2024
Vehicles	$	17,890,178	$	18,038,259
Equipment, furniture and fixtures, and other		1,421,935		1,429,431
Leasehold improvements		1,826,351		1,602,379
Property and equipment		21,138,464		21,070,069
Less: accumulated depreciation		(14,961,723)		(12,329,499)
Property and equipment, net	$	6,176,741	$	8,740,570

Depreciation expense for the years ended December 31, 2025 and 2024 was approximately $4,099,000 and $6,257,000, respectively.

5. Goodwill and Intangible Assets

Goodwill consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Balance, January 1, 2024	$ 25,870,989	$ (3,449,212)	$ 22,421,777
Goodwill	2,232,800	-	2,232,800
Amortization	-	(2,698,787)	(2,698,787)
Balance, December 31, 2024	28,103,789	(6,147,999)	21,955,790
Goodwill	4,485,369	-	4,485,369
Amortization	-	(2,997,303)	(2,997,303)
Balance, December 31, 2025	**$ 32,589,158**	**$ (9,145,302)**	**$ 23,443,856**

Goodwill amortization expense for the years ended December 31, 2025 and 2024 was approximately $2,997,000 and $2,699,000, respectively.

Intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trade name	$ 22,263,000	$ (6,523,117)	$ 15,739,883
Developed technology and capitalized software development costs	6,970,154	(3,921,000)	3,049,154
Balance, December 31, 2025	**$ 29,233,154**	**$ (10,444,117)**	**$ 18,789,037**

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trade name	$ 21,103,000	$ (4,556,329)	$ 16,546,671
Developed technology and capitalized software development costs	6,134,424	(2,642,558)	3,491,866
Balance, December 31, 2024	$ 27,237,424	$ (7,198,887)	$ 20,038,537

Amortization expense related to developed technology, capitalized software development costs and trade names was approximately $3,245,000 and $3,100,000 for the years ended December 31, 2025 and 2024, respectively.

The weighted average remaining useful life of intangible assets as of December 31, 2025 and 2024 were approximately 6.9 years and 7.6 years, respectively.

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Based on the carrying value of intangible assets at December 31, 2025, and assuming no subsequent impairment charges, the approximate future annual amortization expense is expected to be as follows:

Year Ended December 31,	
2026	$ 3,370,130
2027	2,991,560
2028	2,286,247
2029	2,190,026
2030	2,091,626
Thereafter	5,567,607
Total	$ 18,497,196

As of December 31, 2025, approximately $292,000 of capitalized software development costs were not yet placed in service and excluded from the future amortization table above.

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

December 31,	2025	2024
Contingent consideration, current portion	$ 2,427,500	$ 1,388,279
Accrued wages and payroll liabilities	1,547,814	1,209,819
Contract termination liability, current portion	350,000	350,000
Sales taxes	142,245	78,409
Other accrued expenses	470,621	524,046
Seller holdback liabilities, current portion	-	1,421,501
Total accrued expenses and other liabilities	$ 4,938,180	$ 4,972,054

7. Seller Holdback Liabilities

Effective July 31, 2025, in connection with the 2025 Acquisition described in Note 3, the Company held back approximately $476,000 of the purchase price. Under the terms of the agreement, the holdback is non-interest-bearing and is payable to the seller, less indemnities, as defined, on January 31, 2027. As of December 31, 2025, approximately $476,000 was outstanding and is included in other long-term liabilities in the accompanying consolidated balance sheets.

Effective June 25, 2024, in connection with the 2024 Acquisition described in Note 3, the Company held back $1,500,000 of the purchase price. Under terms of the agreement, the holdback liability was non-interest bearing and was due to the sellers, less indemnities, as defined, on December 25, 2025. As of December 31, 2025 and 2024, approximately $0 and $1,422,000 was outstanding and included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

8. Lines of Credit

Prior Line of Credit

Effective August 15, 2022, the Company entered into a credit agreement, which provided a revolving commitment up to $2,500,000 to originally mature on August 15, 2025. In July 2025, the credit agreement was amended to extend the maturity date and increase the revolving commitment to $4,000,000. The revolving commitment bore interest at a rate per annum equal to the adjusted daily simple secured overnight financing rate ("SOFR") in effect, as defined, plus an applicable margin between 2.75% - 3.75% depending on the Company's leverage ratio, as defined. The revolving commitment was secured by substantially all assets of the Company. The revolving commitment was scheduled to mature on August 15, 2026, as amended, but was refinanced in December 2025 with a new financial institution.

At December 31, 2024, the outstanding balance was $0. In connection with the refinance of the revolving line of credit in December 2025, the Company recognized a loss on extinguishment of approximately $7,000 related to unamortized debt issuance costs which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss.

Refinanced Line of Credit

Effective December 24, 2025, the Company refinanced its prior credit facilities with a different financial institution, which provides for a revolving commitment up to $3,000,000, including the issuance of letters of credit up to $1,000,000. Interest on the revolving commitment is charged at either (i) the Prime Rate per annum, or (ii) SOFR plus an applicable rate of 3.25% per annum, depending on the borrowing election at the discretion of the Company, and is payable monthly. The outstanding balance on the revolving line of credit is due at maturity on December 24, 2028. As of December 31, 2025, the outstanding balance was $0. In connection with the refinancing, debt issuance costs attributable to the line of credit were de minimis.

The Company is required to pay an unused commitment fee on a quarterly basis at the rate of 0.25% per annum on the difference between the amount of $3,000,000 and the outstanding amount of borrowings and letters of credit, as defined. The unused commitment fee incurred during the year ended December 31, 2025 was de minimis.

Refer to Note 9 for collateral and covenant compliance applicable to the refinanced credit agreement.

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9. Notes Payable and Other Long-Term Debt

A summary of notes payable is as follows:

December 31,	2025	2024
Note payable - term loan	$ 20,659,886	$ 19,187,547
Equipment notes	153,375	-
Other note payable	-	187,500
Less: unamortized debt issuance costs	(459,617)	(136,823)
Notes payable, net of debt issuance costs	20,353,644	19,238,224
Less: current maturities	(1,583,054)	(5,387,500)
Notes payable, net of current portion and debt issuance costs	$ 18,770,590	$ 13,850,724

Prior Note Payable - Term Loan

Effective August 15, 2022, the Company entered into a credit agreement that provided $32,000,000 under a note payable. Principal was payable in quarterly installments between $1,000,000 and $1,200,000, commencing September 2022 with a balloon payment of $9,600,000 payable at maturity. The note bore interest at a rate per annum equal to the SOFR in effect, as defined, plus an applicable margin between 2.75% to 3.75% depending on the Company's leverage ratio, as defined. The credit agreement was amended in July 2025 to change the definitions of certain terms. In connection with this amendment, debt issuance costs attributable to the term loan were approximately $37,000. The credit agreement was secured by substantially all of the assets of the Company. The term loan was scheduled to mature on August 15, 2027, but was refinanced in December 2025 with a new financial institution.

At December 31, 2024, the outstanding balance was approximately $19,188,000. In connection with the refinance of the credit agreement in December 2025, the Company recognized a loss on extinguishment of approximately $115,000 related to unamortized debt issuance costs which is included in interest expense in the accompanying consolidated statements of operations and comprehensive loss.

Refinanced Note Payable - Term Loan

On December 24, 2025, the Company refinanced its prior credit facilities with a different financial institution, which provides for a term loan commitment up to $30,500,000 on which the Company drew approximately $20,660,000 during 2025 to refinance the prior term loan. The remaining commitment is available to the Company through December 24, 2026, as defined. The use of proceeds from the term loan is restricted, as defined. The term loan matures on December 24, 2030, and principal is payable in quarterly installments starting March 2026, which are determined based on a percentage of the outstanding principal balance (1.875% quarterly through September 2027; 2.5% quarterly through September 2028, and 3.125% quarterly thereafter through maturity). Interest on the term loan is charged at either (i) the Prime Rate per annum, or (ii) SOFR plus an applicable rate of 3.25% per annum, depending on the borrowing election at the discretion of the Company, and is payable monthly. The interest rate at December 31, 2025 was 6.97%. As of December 31, 2025, the outstanding balance was approximately $20,660,000. In connection with the refinancing, debt issuance costs attributable to the term loan were approximately $468,000.

Effective for the year ending December 31, 2026, and annually thereafter, the credit agreement will require an excess cash flow payment if certain thresholds are met, as defined.

The credit agreement allows the Company to request incremental increases to the term loan commitment and the revolving commitment up to $15,000,000 in the aggregate, subject to consent of the lender.

The credit agreement is secured by substantially all the assets of the Company. Under the credit agreement, the Company is required to adhere to certain affirmative and negative covenants, including meeting certain financial covenants. As of December 31, 2025 the Company was compliant with all requirements.

Equipment Notes

During 2025, the Company assumed certain equipment notes payable held by two finance companies in exchange for vehicles as a part of an arrangement to which the Company was a guarantor. The notes are payable in monthly installments aggregating approximately $1,000 to $8,000 per month through varying maturity dates from August 2026 to October 2028. The notes incur interest at rates between 5.99% to 9.09% per annum. The notes are secured by specific vehicles. The aggregate outstanding balance on the notes as of December 31, 2025 was approximately $153,000.

Note Payable - Other

Effective October 1, 2024, in connection with the acquisition of the 50% ownership interest in Zerorez Richmond described in Note 2, the Company recognized a note payable of $250,000. The note was payable in twelve equal monthly installments beginning October 2024 through September 2025 and bore interest at an annual rate of 6%. As of December 31, 2024, the outstanding principal balance was approximately $188,000 and was included in notes payable in the accompanying consolidated balance sheets. During the year ended December 31, 2025, the Company repaid the note in full.

Scheduled future principal maturities of the notes payable, excluding unamortized debt issuance costs, are as follows:

Year Ended December 31,		
2026	$	1,583,054
2027		1,567,351
2028		1,820,644
2029		1,889,370
2030		13,952,842
Total	$	20,813,261

Other Long-Term Debt

On August 15, 2022, ZFS entered into an agreement with a related party which granted the related party the right to receive 50% of additional territory fees associated with a defined geographic location should ZFS sell the franchise rights to that location in a future franchise agreement. In exchange for this right, the Company received $1,035,000 interest-free. As of December 31, 2025

and 2024, the Company has not entered into a franchise agreement for the defined geographic location nor collected the additional territory fees. Accordingly, no repayments have been made. The proceeds from the agreement are recorded as a liability related to the sale of future revenues. As of December 31, 2025 and 2024, the liability of approximately $983,000 is included in other long-term liabilities on the consolidated balance sheets.

10. Leases

The Company leases facilities and certain vehicles under various non-cancellable lease agreements. Lease terms of the facilities primarily range from approximately 3-10 years (subject to elective extension) and generally provide for escalation in base rents. The majority of the facility leases contain one or more options to renew the lease at the Company's discretion. Facility lease maturity dates range from 2026 to 2034. Vehicle leases provide for terms of 5 years with varying maturity dates in 2029 and 2030, with the option thereafter to continue month-to-month. Generally, the Company does not consider the exercising of additional renewal periods or future continuation of leases on a month-to-month basis to be reasonably certain.

The Company's lease costs are as follows:

Year Ended December 31,	2025	2024
Amortization of finance lease ROU assets	$ 1,266,885	$ 544,262
Interest of finance lease liabilities	337,516	164,287
Total finance lease expense	1,604,401	708,549
Operating lease expense	2,959,037	2,721,233
Variable lease expense	662,514	674,062
Short term lease expense	78,911	19,575
Total lease expense	$ 5,304,863	$ 4,123,419

Classification of the Company's lease costs are as follows:

Year Ended December 31,	2025	2024
Lease cost - general and administrative	$ 3,700,462	$ 3,414,870
Lease cost - amortization expense	1,266,885	544,262
Lease cost - interest expense	337,516	164,287
Total lease expense	$ 5,304,863	$ 4,123,419

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The maturity analysis of the operating and finance lease liabilities as of December 31, 2025, is as follows:

Year Ended December 31,	Operating Leases	Finance Leases	Total
2026	$ 2,975,974	$ 1,270,110	$ 4,246,084
2027	2,827,300	1,259,202	4,086,502
2028	2,317,120	1,259,202	3,576,322
2029	1,662,484	767,312	2,429,796
2030	1,547,036	137,836	1,684,872
Thereafter	2,666,941	-	2,666,941
Total minimum lease payments	13,996,855	4,693,662	18,690,517
Less lease payments representing interest	(2,764,478)	(659,773)	(3,424,251)
Net present value of lease liabilities	11,232,377	4,033,889	15,266,266
Less current portion	(2,174,433)	(965,176)	(3,139,609)
Lease liabilities, net of current portion	$ 9,057,944	$ 3,068,713	$ 12,126,657

The following summarizes the weighted-average remaining lease term and weighted-average discount rate on long-term leases:

As of December 31,	2025	2024
Weighted average remaining lease term (in years)		
Operating leases	5.8	6.9
Finance leases	3.8	4.5
Weighted average discount rate		
Operating leases	7.92%	8.14%
Finance leases	8.54%	8.67%

The following provides supplemental information related to the Company's consolidated statements of cash flows:

Years Ended December 31,	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 2,777,489	$ 2,321,749
Financing cash flows from finance leases	$ 1,244,638	$ 380,044

The Company's subleasing activities are as follows:

Year Ended December 31,	2025	2024
Sublease Income	$ 218,517	$ 17,502

The Company recognizes income from its subleasing arrangement on a straight-line basis of over the term of the lease. Sublease income is included within general and administrative expenses on the consolidated statements of operations and comprehensive loss to offset the associated lease costs

incurred. As of December 31, 2025, sublease payments to be received will be approximately $987,000 through 2030, ranging annually from approximately $207,000 to $228,000 through 2029, and approximately $117,000 in 2030.

11. Income Taxes

Components of the provision for income tax expense consisted of the following:

Years Ended December 31,	2025	2024
Current expense	$ 92,236	$ 67,229
Deferred expense	-	-
Income tax expense	$ 92,236	$ 67,229

The Company's effective tax rate during the years ended December 31, 2025 and 2024 differs from the federal statutory rate of 21% primarily due to the effect of changes in valuation allowance, non-deductible acquisition-related costs, and non-deductible portion of goodwill. As of December 31, 2025, the carrying value of the non-deductible portion of goodwill was approximately $2,837,000.

The deferred tax assets (liabilities), net consisted of the following:

December 31,	2025	2024
Deferred tax assets:		
Net operating losses and other carryforwards	$ 7,288,569	$ 5,869,043
Contract liabilities and other liabilities	2,602,271	2,834,518
Operating lease liability	2,783,268	2,334,031
Intangible assets	535,329	-
Other	14,234	22,597
Total deferred tax assets	13,223,671	11,060,189
Deferred tax liabilities:		
Operating lease right-of-use-assets	(2,602,949)	(2,193,896)
Property and equipment	(133,703)	(535,346)
Intangible assets	-	(207,530)
Total deferred tax liabilities	(2,736,652)	(2,936,772)
Deferred taxes, net before valuation allowance	10,487,019	8,123,417
Less: valuation allowance	(10,487,019)	(8,123,417)
Deferred taxes, net	$ -	$ -

The Company recognizes deferred tax assets to the extent it believes, based on available evidence, that it is more likely than not that they will be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent results of operations. As of December 31, 2025, the Company had gross federal and state operating losses ("NOLs") of approximately $19,827,000 and $9,860,000, respectively, and approximately $5,015,000 of foreign NOLs. Federal NOLs arising in tax years prior to 2018 will expire commencing in 2025 through 2034 and Federal NOLs arising in tax years in 2018 forward do not expire but may only be

used against taxable income up to 80% per year. Certain state NOLs will expire commencing in 2025 through 2045 and certain State NOLs do not expire. The foreign NOLs do not expire.
Utilization of the NOLs may be subject to an annual limitation due to the ownership percentage change limitations provided under Section 382 of the Internal Revenue Code ("IRC") of 1986, as amended, and the percentage of taxable income limitations provided under Section 172 of the IRC. Similar state provisions may apply.

Increases in the valuation allowance at December 31, 2025 and 2024 were approximately $2,364,000 and $2,127,000, respectively.

The Company did not recognize any significant interest or penalties resulting from income taxes during the years ended December 31, 2025 and 2024.

In July, 2025, the "One Big Beautiful Bill Act" (the "Act") was enacted into law. Among other provisions, the Act includes permanently extending and modifying certain expiring provisions of the 2017 Tax Cuts and Jobs Act and immediate expensing of domestic research and development expenses. The impacts of these provisions did not have a material impact on the Company's consolidated financial statements or annual effective tax rate for 2025. However, the Company will continue to evaluate the effects of the Act on the consolidated financial statements and annual effective tax rate in the future.

12. Contingent Consideration

In connection with business combination transactions which took place between 2023 to 2025, the Company recorded contingent consideration liabilities related to the achievement of certain performance targets. The contingent consideration liabilities are measured at fair value at each reporting date. As of December 31, 2025, the fair value of the 2025 Acquisition contingent was estimated using the present value of the expected payment amount, discounted based on the expected timing and probability of settlement. Fair values as of December 31, 2024 were based on those amounts which were determined with certainty to be payable in 2025.

The following table presents a roll forward of the contingent consideration liabilities, measured at fair value on a recurring basis:

	2023 Acquisition	2023 Acquisition	2025 Acquisition	Total
Balance, January 1, 2024	$ 2,100,000	$ 1,720,000	$ -	$ 3,820,000
Payment of contingent consideration	-	(1,310,000)	-	(1,310,000)
Change in fair value included in earnings	(2,100,000)	978,279	-	(1,121,721)
Balance, December 31, 2024	-	1,388,279	-	1,388,279
Additional contingent consideration	-	-	2,850,000	2,850,000
Payment of contingent consideration	-	(1,388,279)	-	(1,388,279)
Change in fair value included in earnings	-	-	982,500	982,500
Balance, December 31, 2025	$ -	$ -	$ 3,832,500	$ 3,832,500

For the years ended December 31, 2025 and 2024, the net loss (gain) from changes in fair value are included within other (expense) income, net on the consolidated statements of operations and comprehensive loss. The current portion of the contingent consideration liabilities was approximately $2,428,000 and $1,388,000 as of December 31, 2025 and 2024, respectively, and is included within accrued expenses and other liabilities on the consolidated balance sheets. The

noncurrent portion of the contingent consideration liabilities was $1,405,000 and $0 as of December 31, 2025 and 2024, respectively, and is included within other long-term liabilities on the consolidated balance sheets.

Payments of contingent consideration during the years ended December 31, 2025 and 2024 were approximately $1,388,000 and $1,310,000, respectively. In accordance with ASC 230, *Statement of Cash Flows*, on the consolidated statements of cash flows, the associated fair values at the date of acquisition are included as cash outflows from financing activities which were $300,000 and $490,000 for the years ended December 31, 2025 and 2024, respectively. The portions of the payments which were in excess of acquisition date fair values are included within operating activities under changes in accrued expenses and other liabilities.

13. Commitments and Contingencies

Royalty Reallocation Termination and Settlement Agreement

Prior to August 16, 2022, ZFS entered into a series of agreements in which recurring royalties and Brand fund contribution fees payable by four franchisees to ZFS were reallocated to an affiliated entity ("Royalty Reallocation Agreement"). In August 2022, Zerorez and the parties to the Royalty Reallocation Agreement executed a Termination and Settlement Agreement providing for the termination of all rights and obligations under the Royalty Reallocation Agreement. As consideration for the Termination and Settlement Agreement, ZFS agreed to pay an annual amount of $350,000 payable in twelve monthly payments commencing August 31, 2022 until the earlier of July 31, 2030 or the closing of a future qualified sale of ZFS. Upon closing of a future qualified sale of ZFS, ZFS would owe an amount equal to $6,500,000 minus the aggregated amount of installment payments made to date, provided in no event that the amount will be less than $5,500,000 ("Buyout Payment"). In the event that gross revenue of the four franchisees declines by more than 20% on a year over year basis to the prior fiscal year, the annual installment payments shall be reduced by the same percentage. Further, in the event that either a future sale of ZFS has not occurred prior to July 31, 2030, or the proceeds from a future sale of ZFS are not sufficient to make the Buyout Payment, then commencing on August 1, 2030 and continuing until the earlier of (a) full payment of the Buyout Amount or (b) December 12, 2054, ZFS will pay monthly payments based on a percentage of gross revenue of the four franchisees, as defined.

The Company accounts for the Termination and Settlement Agreement as a termination cost under the requirements of ASC 420, *Exit or Disposal Cost Obligations* ("ASC 420"). ASC 420 requires recognition of a liability for costs to terminate a contract, using an expected present value technique when uncertainties exist in the timing or amount. Under ASC 420, the Company subsequently remeasures the contract settlement liability based on estimated changes in timing or amount of future cash flows. Remeasurements of the contract settlement liability resulted in a loss of approximately $0 and $66,000 for the years ended December 31, 2025 and December 31, 2024, respectively, which were recorded as an expense within general and administrative expenses.

For the years ended December 31, 2025 and 2024, the Company paid $350,000 of installment payments and incurred interest expense of approximately $341,000 and $337,000, respectively. At December 31, 2025, the contact settlement liability was approximately $5,516,000, of which $350,000 is presented as current in accrued expenses and other liabilities and the non-current portion of $5,166,000 is presented in other long-term liabilities. At December 31, 2024, the contact settlement liability was approximately $5,525,000, of which $350,000 is presented as current in

accrued expenses and other liabilities and the non-current portion of $5,175,000 is presented in other long-term liabilities.

Transition Services Agreement

In connection with the 2024 Acquisition described in Note 3, the Company entered into transition service agreements ("TSA") with the sellers' party to the asset purchase agreement. The TSA primarily allowed Zerorez to lease the existing employees at the acquired outlet to perform their regular duties. Zerorez reimbursed the sellers all related wage expenses incurred at cost. On January 1, 2025, all leased employees were converted to employees of Zerorez.

Litigation

From time to time, the Company is involved in various lawsuits, claims and inquiries that arise in the ordinary course of business. The Company accrues for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. In the opinion of management, any liability that may result of any adverse outcomes of these actions is not expected to be material.

Put Right

In connection with the Company's acquisition of a business in 2023, the seller was provided a right to obligate the Company to purchase an additional franchise location owned by the seller at a set purchase price, in the event the Company undergoes a future qualified sale. The purchase price shall be equal to a fixed multiple, as defined, over the franchise location's trailing twelve-month EBITDA immediately prior to the date of a future qualified sale of the Company.

401(k) Retirement Plan

The Company has a 401(k) profit sharing plan for eligible employees. Under the terms of the plan, the Company can make employer matching or profit-sharing contributions on a discretionary basis. The Company did not make any matching or profit-sharing contributions to the 401(k) profit sharing plan for the years ended December 31, 2025 and 2024.

14. Equity

Articles of Incorporation

The total number of shares that Zerorez is authorized to issue is 100 shares of common stock having a par value of $1 per share. All issued and outstanding shares in Zerorez are held by the Parent.

Contributions

In July and September 2025, the Parent entered into Subscription Agreements in exchange for approximately $7,162,000. The $7,162,000 was contributed to the Company without an issuance of the Company's common shares to the Parent.

In February 2024, the Parent entered into a Subscription Agreement in exchange for $8,000,000. The $8,000,000 was contributed to the Company without an issuance of the Company's common shares to the Parent.

Equity-Based Compensation

In accordance with the limited liability company agreement of the Parent, the board may grant up to 870 Class P Profits Units ("Profits Units") in the Parent to key employees of the Company under the Profit Interests Plan dated September 23, 2022 (the "Plan"). The Plan was amended in August 2024 to increase the number of authorized units available to grant to 910.3. The purpose of the Plan is to promote the profitability and success of the Company by providing key personnel of the Company with incentives to contribute to the growth and financial success of the Company. The board establishes a participation threshold and vesting conditions for each unit.
The following table summarizes the activities related to the Parent's Profit Units:

	Total Outstanding	Unvested
Balance, January 1, 2024	841	131
Granted	60	60
Vested	-	(114)
Forfeited	(12)	-
Balance, December 31, 2024	889	77
Vested	-	(33)
Forfeited	(12)	-
Balance, December 31, 2025	**877**	**44**

In October 2022, 217.5 units ("Type A Profit Units") were granted to one employee and vest as follows: 40% in July 2023, 25% in July 2024, 15% in July 2025, and 10% in each July 2026 and July 2027. Upon a change of control event, as defined, all unvested Profits Units shall immediately become vested. Upon termination of service, vested Type A Profits Units can be retained by the employee or repurchased at fair value by the Company, at the Company's election. At grant date, the Company determined the Type A Profits Units granted represented a substantive class of equity and are accounted for under the provisions of ASC 718, *Compensation - Stock Compensation*. The Type A Profits Units were fair valued based on the Black Scholes Option Pricing Model, which values all classes of equity as a call option on the enterprise value of the Company and is recorded as compensation expense on a straight-line basis over the requisite service period. No Type A Profit Units were granted in 2025 or 2024. Expense of approximately $86,000 was recognized within general and administrative expenses on the consolidated statements of operations and comprehensive loss for the years ended December 31, 2025 and 2024. At December 31, 2025, there was approximately $151,000 of unrecognized equity-based compensation expense, which is expected to be recognized over a period of approximately 1.8 years.

During the year ended December 31, 2024, 60 units were granted which were fully vested upon grant date and are forfeited and canceled upon termination of service ("Type B Profit Units"). Type B Profit Units which were granted on or after January 1, 2024, the adoption date of ASU 2024-01, were determined to represent a substantive class of equity and are accounted for under the provisions of ASC 718, *Compensation - Stock Compensation*. The Type B Profits Units granted on or after January 1, 2024 were fair valued based on the Black Scholes Option Pricing Model, which values all classes of equity as a call option on the enterprise value of the Company and compensation

expense was recorded on the date of grant as the units were fully vested. No Type B Profit Units were granted in 2025.

Type B Profit Units granted prior to January 1, 2024, are accounted for under the provisions of ASC 710, *Compensation*, whereas they are recognized as a liability when payment is both probable and reasonably estimable. Currently, any potential payment to be made to holders of the Type B Profits Units is not yet probable nor reasonably estimable, therefore, no liability or expense has been recognized related to these Type B Profit Units granted prior to January 1, 2024 in these consolidated financial statements.

Significant inputs in the Black Scholes Option Pricing Model for Type B Profits Units granted in 2024 are summarized below:

Strike price (hurdle amount per unit)	$	13,192.93
Expected volatility		70.0%
Expected term in years		5.0
Risk-free rate		4.72%

Expected Volatility

The Company uses the volatility of peer group public companies to estimate the volatility assumptions used.

Expected Term

The Company utilizes an expected holding period to estimate the expected term.

Risk-Free Rate

The Company bases the risk-free interest rate on the U.S. Treasury yield curve in effect at the time of grant, based on the expected term.

The grant date fair value of the Type B Profits Units granted during the year ended December 31, 2024 was determined by the Company to be approximately $2,600 per unit. Approximately $156,000 of equity-based compensation expense was recognized within general and administrative expenses on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2024.

15. Related-Party Transactions

Management Agreement

Pursuant to a management services agreement between the Company and an affiliate, the Company shall pay a quarterly management fee equal to the greater of $62,500 or 5% of consolidated adjusted EBITDA, as defined, with a cap of $750,000 each calendar year. Upon the consummation of a future acquisition resulting in a material increase to consolidated adjusted EBITDA, the cap will increase, as defined. Further, the Company reimbursed the affiliate for certain expenses as invoiced by the affiliate related to shared expenses. The term of the management services agreement shall expire upon notice to the Company by the affiliate, upon an initial public offering, or upon the consummation of a sale of the Company, as defined. Total costs incurred by Zerorez under the

management services agreement totaled approximately $578,000 and $501,000 for the years ended December 31, 2025 and 2024, respectively. Approximately $144,000 and $139,000 of management fees were prepaid by the Company as of December 31, 2025 and 2024, respectively, and are included in prepaid expenses and other current assets on the consolidated balance sheet. Management fees of approximately $152,000 and $0 were accrued as of December 31, 2025 and 2024, respectively, and are included in accrued expenses and other liabilities on the consolidated balance sheet.

Franchisees Operated by Related Parties

For the years ended December 31, 2025 and 2024, the Company recorded revenue associated with royalty fees, Brand fund contributions, franchisee fees and technology, service and other fees related to franchise outlets operated by affiliates, executives and/or stockholders of the Company of approximately $122,000 and $129,000, respectively.

At December 31, 2025 and 2024, related party notes receivable owed from franchise outlets operated by affiliates were $0 and $179,000 respectively.

Other

An affiliated entity provides software development and maintenance services to the Company. During the year ended December 31, 2025, the Company incurred costs of approximately $689,000 of which $358,000 was capitalized to software development costs and approximately $331,000 was expensed and is reflected in general and administrative expenses. During the year ended December 31, 2024, the Company incurred costs of approximately $900,000 of which $468,000 was capitalized to software development costs and approximately $432,000 was expensed and is reflected in general and administrative expenses.

Certain affiliated entities provide certain marketing services to the Company's franchisees and company-owned outlets. During the years ended December 31, 2025 and 2024, the Company incurred approximately $430,000 and $735,000 of costs, respectively, which is reflected in advertising and marketing expenses. At December 31, 2025 and 2024, approximately $29,000 and $102,000 is included in accounts payable, respectively.

A company-owned outlet subcontracts certain cleaning services to an affiliated entity. During the years ended December 31, 2025 and 2024, the Company incurred approximately $69,000 and $17,000 of costs, respectively, which is reflected in cost of cleaning services.

During the years ended December 31, 2025 and 2024, the Company incurred board of director fees of $55,000 and $56,000, respectively.

The Company leases certain facilities from entities controlled by certain stockholders and during the years ended December 31, 2025 and 2024, the Company incurred related party lease costs of approximately $449,000 and $689,000, respectively. As of December 31, 2025 and 2024, the related party operating lease right-of-use assets were approximately $705,000 and $1,870,000, respectively, and related party operating lease liabilities were $705,000 and $1,928,000, respectively.

See Note 7 for information on the related party sellers holdback liability.

16. Summary of Franchised and Company-Owned Outlets

The following is a summary of changes in the number of franchised and company-owned outlets during calendar year 2025 and 2024:

	Franchisees	Company-Owned Outlets	Total
Total, January 1, 2024	55	20	75
Opened	6	1	7
Terminations/ceased operations	(3)	-	(3)
Reacquired by franchisor	(1)	1	-
Total, December 31, 2024	57	22	79
Opened	8	-	8
Terminations/ceased operations	(5)	-	(5)
Total, December 31, 2025	**60**	**22**	**82**

17. Subsequent Events

The Company has evaluated subsequent events through March 31, 2026, which is the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure, except as disclosed below.

In February 2026, the Company entered into a contract with a vendor for future subscription services that will have a minimum term of three years once the service period commences. The minimum amounts payable under this contract over its term are approximately $3,300,000.

Zerorez, Inc. and Subsidiaries

Consolidated Financial Statements
As of and for the Years Ended December 31, 2024
and December 31, 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional service corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee.

Zerorez, Inc. and Subsidiaries

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Independent Auditor's Report

Board of Directors
Zerorez, Inc. and Subsidiaries
American Fork, Utah

Opinion

We have audited the consolidated financial statements of Zerorez, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive loss, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to 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, 2024 and 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a

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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 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.

BDO USA, P.C.

March 31, 2025

Zerorez, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31,	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 3,202,871	$ 3,091,834
Restricted cash	78,889	77,467
Accounts receivable, net	1,121,223	1,416,209
Prepaid expenses and other current assets	1,512,211	1,243,572
Notes receivable, current portion	128,268	523,508
Total current assets	6,043,462	6,352,590
Property and equipment, net	8,740,570	13,024,028
Operating lease right-of-use-assets, net	8,864,877	6,944,344
Finance lease right-of-use-assets, net	4,821,222	-
Goodwill, net	21,955,790	22,421,777
Intangible assets, net	20,038,537	22,671,017
Investments	100,000	100,000
Notes receivable, net of current portion	470,187	665,447
Deposits and other	353,336	223,095
Total assets	$ 71,387,981	$ 72,402,298

Continued.

Zerorez, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31,	2024	2023
Liabilities and Stockholder's equity		
Current liabilities:		
Accounts payable	$ 1,113,081	$ 1,451,142
Accrued expenses and other liabilities	4,972,054	3,528,235
Contract liabilities, current portion	744,962	729,351
Current maturities of notes payable	5,387,500	4,400,000
Operating lease liabilities, current portion	1,749,549	1,856,936
Finance lease liabilities, current portion	820,287	-
Income taxes payable	67,229	-
Total current liabilities	14,854,662	11,965,664
Contract liabilities, net of current portion	4,203,179	5,475,235
Notes payable, net of current portion and debt issuance costs	13,850,724	18,597,760
Operating lease liabilities, net of current portion	7,681,571	5,232,536
Finance lease liabilities, net of current portion	2,922,017	-
Other long-term liabilities	6,158,350	8,615,867
Total liabilities	49,670,503	49,887,062
Commitments and contingencies (Note 12)		
Stockholder's equity:		
Common stock, $1 par value, 100 shares authorized, issued and outstanding	100	100
Additional paid-in capital	48,934,550	40,939,653
Accumulated deficit	(27,354,817)	(18,427,386)
Stockholder's equity attributable to Zerorez, Inc.	21,579,833	22,512,367
Accumulated other comprehensive income	137,645	-
Non-controlling interest	-	2,869
Total stockholder's equity	21,717,478	22,515,236
Total liabilities and stockholder's equity	$ 71,387,981	$ 72,402,298

See accompanying notes to consolidated financial statements.

Zerorez, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

Year Ended December 31,	2024	2023
Revenues		
Company-owned outlet income	$ 68,148,688	$ 64,531,466
Royalty fees	2,365,584	2,397,783
Brand fund contributions	1,177,511	918,355
Franchise fees	1,214,513	635,879
Technology, service fees and other	489,619	455,459
Total revenues	73,395,915	68,938,942
Operating expenses:		
Cost of company-owned outlet income	28,338,365	26,943,650
General and administrative expenses	27,057,621	26,095,242
Advertising and marketing	12,897,702	12,441,417
Depreciation and amortization expense	12,424,453	11,940,183
Total operating expenses	80,718,141	77,420,492
Loss from operations	(7,322,226)	(8,481,550)
Other (expense) income		
Interest expense	(2,503,244)	(2,808,452)
Other income, net	965,268	4,991,002
Total other (expense) income, net	(1,537,976)	2,182,550
Loss before income taxes	(8,860,202)	(6,299,000)
Income tax expense	67,229	-
Net loss	(8,927,431)	(6,299,000)
Less: loss allocable to non-controlling interest	-	95,145
Net loss attributable to Zerorez, Inc.	(8,927,431)	(6,203,855)
Other comprehensive income		
Foreign currency translation adjustment	137,645	-
Total comprehensive loss attributable to Zerorez, Inc.	$ (8,789,786)	$ (6,203,855)

See accompanying notes to consolidated financial statements.

Zerorez, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholder's Equity

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Stockholder's Equity	Non-Controlling Interest	Accumulated Other Comprehensive Income	Total Stockholder's Equity
	Shares	Amount						
Balance, January 1, 2023	100	$ 100	$ 40,853,591	$ (12,223,531)	$ 28,630,160	$ 98,014	$ -	$ 28,728,174
Equity-based compensation	-	-	86,062	-	86,062	-	-	86,062
Net loss	-	-	-	(6,203,855)	(6,203,855)	(95,145)	-	(6,299,000)
Balance, December 31, 2023	100	100	40,939,653	(18,427,386)	22,512,367	2,869	-	22,515,236
Contributions	-	-	8,000,000	-	8,000,000	-	-	8,000,000
Equity-based compensation	-	-	242,028	-	242,028	-	-	242,028
Repurchase of non-controlling interest	-	-	(247,131)	-	(247,131)	(2,869)	-	(250,000)
Foreign currency translation adjustment	-	-	-	-	-	-	137,645	137,645
Net loss	-	-	-	(8,927,431)	(8,927,431)	-	-	(8,927,431)
Balance, December 31, 2024	100	$ 100	$ 48,934,550	$ (27,354,817)	$ 21,579,833	$ -	$ 137,645	$ 21,717,478

See accompanying notes to consolidated financial statements.

Zerorez, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31,	2024	2023
Cash flows from operating activities:		
Net loss	$ (8,927,431)	$ (6,299,000)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	12,424,453	11,940,183
Amortization of debt-issuance costs	58,226	69,556
Credit loss expense	668,997	641,707
Equity-based compensation expense	242,028	86,062
Loss on remeasurement of contract settlement liability	65,714	-
Net loss on divestiture of investments	-	131,588
Loss on property and equipment disposal	187,679	8,375
Non-cash interest on contract settlement liability	336,769	336,714
Non-cash lease expense	2,094,005	1,869,276
Change in fair value of contingent consideration	(1,121,721)	(4,670,000)
Changes in operating assets and liabilities, net of business acquisition:		
Accounts receivable	(100,137)	(552,799)
Prepaid expenses and other current assets	(268,639)	176,433
Deposits and other long-term assets	(135,503)	(39,397)
Accounts payable	(505,108)	136,663
Accrued expenses and other liabilities	(1,099,660)	362,691
Income tax payable	67,229	-
Contract liabilities	(1,177,674)	(604,852)
Operating lease liabilities	(1,694,521)	(1,751,754)
Net cash provided by operating activities	1,114,706	1,841,446
Cash flows from investing activities:		
Acquisition of a business, net	(1,250,000)	(1,983,255)
Purchases of property and equipment	(1,413,543)	(3,187,555)
Finance lease downpayments and initial upfront costs	(1,262,223)	-
Capitalized software development costs	(467,808)	(521,116)
Proceeds from sale of property and equipment	99,933	-
Collection on notes receivable	237,855	553,700
Net cash used in investing activities	(4,055,786)	(5,138,226)

Continued.

Zerorez, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31,	2024	2023
Cash flows from financing activities:		
Proceeds from line of credit	1,000,000	-
Repayments of line of credit	(1,000,000)	(79,299)
Repayments of notes payable	(4,062,500)	(6,812,453)
Repayment of contract settlement liability	(350,000)	(350,000)
Payment of debt issuance costs	-	(50,000)
Payment of contingent consideration	(490,000)	-
Contributions	8,000,000	-
Payments on finance lease liabilities	(215,757)	-
Net cash provided by (used in) financing activities	2,881,743	(7,291,752)
Effect of exchange rate on cash, cash equivalents, and restricted cash	171,796	-
Net change in cash, cash equivalents and restricted cash	112,459	(10,588,532)
Cash, cash equivalents and restricted cash at beginning of period	3,169,301	13,757,833
Cash, cash equivalents and restricted cash at end of year	$ 3,281,760	$ 3,169,301
Supplemental cash flow information:		
Cash paid for interest	$ 2,108,249	$ 2,402,182
Cash paid for taxes	$ -	$ -
Supplemental non-cash flow information:		
Note payable issued for purchase of non-controlling interest	$ 250,000	$ -
Seller holdback liability for acquisition of business	$ 1,500,000	$ -
Divestiture of investment in exchange for note receivable	$ -	$ 75,000
Write-off of note receivable against contract liabilities	$ 78,771	$ 140,298
Note receivable issuance reflected in contract liabilities	$ -	$ 295,035
Increase in accounts payable for purchases of property and equipment	$ 167,047	$ -
Operating lease liabilities obtained in exchange for right-of-use assets	$ 4,049,578	$ 1,231,466
Finance lease liabilities obtained in exchange for right-of-use assets	$ 3,958,061	$ -

See accompanying notes to consolidated financial statements.

1. Organization and Description of Business

Zerorez, Inc. ("Zerorez") a Delaware corporation, was formed on June 10, 2022, to acquire the entire stock of Zerorez Franchising Systems, Inc. and its subsidiaries ("ZFS") and to acquire the assets of certain franchisees' of ZFS, pursuant to a plan and merger agreement and an asset purchase agreement dated August 15, 2022. ZFS was re-incorporated in the State of Delaware on August 15, 2022. Zerorez is wholly owned by Zerorez Holdings, LLC (the "Parent"). The Parent has no significant operations, and its assets principally are comprised of its investment in Zerorez.

Zerorez is a residential and commercial services cleaning franchisor with franchisees and operations throughout North America. Zerorez cleans carpet, tile, fabric, upholstery, hard surfaces, and air ducts, and does not use detergents or harsh chemicals, but instead uses patented technology that cleans using electrolyzed water.

2. Summary of Significant Accounting Policies

Basis of Presentation, Consolidation and Non-Controlling Interest

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as codified by the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU").

As of December 31, 2024, the accompanying consolidated financial statements include the accounts and operating results of Zerorez and its subsidiaries, which consisted of the following:

ZFS
Zerorez Charlotte LLC ("Zerorez Charlotte")
Zerorez Richmond LLC ("Zerorez Richmond")
Profectus International, LLC ("Profectus")
Zerorez UK LLC Ltd ("Zerorez UK")
Z Intellectual Property Holdings Company, LLC ("ZIP")

These entities are collectively referred to as the "Company". Intercompany balances and transactions have been eliminated upon consolidation.

As of December 31, 2024 and 2023, the Company's ownership interest in Zerorez Richmond was 100% and 50%, respectively. During the year ended December 31, 2024, the Company acquired 50% ownership interest in Zerorez Richmond from a non-controlling interest holder for $250,000. In accordance with ASC 810, *Consolidation* ("ASC 810") the difference between the consideration paid and ownership interest obtained was recorded as a reduction to additional paid-in capital. The remaining entities are wholly owned.

In accordance with ASC 810, the Company evaluates its interests in variable interest entities on an ongoing basis. If the Company, together with its related parties and de facto agents, is determined to have the power to direct the activities that most significantly impact the variable interest entity's economic performance and has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant, the Company is deemed the primary beneficiary and consolidates that entity into its financial results. Factors that are considered when making the primary beneficiary assessment include whether the Company or its related parties

participated in the design of the entity, whether the entity's activities either involve or are conducted on behalf of the Company or its related parties, whether the Company or its related parties have provided more than half of the total equity or subordinated debt, and whether the Company or its related parties have rights, through voting, board representation, or other agreements, to direct the activities that most significantly impact the variable interest entity's economic performance. The Company concluded that it was the primary beneficiary of Zerorez Richmond, prior to the acquisition of the non-controlling interests, and accordingly, consolidated this entity into its financial results.

Foreign Currency

The accompanying consolidated financial statements are presented in United States dollars (USD) as the reporting currency. For the UK subsidiary where the Company has determined that the functional currency is the entity's local currency, the assets and liabilities of such subsidiaries are translated into USD using exchange rates in effect at the balance sheet date. The revenue and expenses of such subsidiaries are translated into USD using average exchange rates in effect during the reporting period. Any translation adjustments are presented as accumulated other comprehensive income, within stockholder's equity in the accompanying consolidated statements of changes in stockholder's equity. Foreign currency transaction gains and losses are included in other income, net within the accompanying consolidated statements of operations and comprehensive loss and were immaterial for all periods presented.

Use of Estimates

The preparation of the consolidated financial statements, in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 most significant accounting estimates relate to the allowance for credit losses, the estimated useful lives and values of depreciable and amortizable assets, the calculation of and allowance for deferred taxes, estimates to derive the fair value of assets acquired and liabilities assumed in connection with business combinations, fair value of contingent consideration from business combinations, and assumptions used in determining the fair value of equity-based compensation. Accordingly, actual results could differ from those estimates and such differences could be material.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase and deposits in transit from debit and credit card processors to be cash equivalents. Debit and credit card transactions are short-term and highly liquid in nature. Interest income is recorded for interest-bearing cash accounts and is included within other income, net in the consolidated statements of operations and comprehensive loss.

Restricted Cash Held for Brand Fund

Restricted cash is related to cash that franchisees contribute to the Company's Brand fund. Cash contributed by franchisees to the Brand fund is to be used in accordance with the franchise agreement for national, regional, and local marketing and advertising of services to increase Brand awareness. As such, the restricted cash is required to be set aside and is not available for the Company's general business use.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash from the consolidated balance sheets as of December 31, 2024 and 2023 to the statements of cash flows for years then ended, respectively:

December 31,	2024	2023
Cash and cash equivalents	$ 3,202,871	$ 3,091,834
Restricted cash	78,889	77,467
Total cash, cash equivalents and restricted cash, as shown on the consolidated statements of cash flows	$ 3,281,760	$ 3,169,301

Concentrations of Credit Risk

The Company maintains bank accounts with a banking institution in which the deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC"). Such deposits may, at times, exceed the FDIC insured limit of $250,000 for each account. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties. As of December 31, 2024 and 2023, there were no losses incurred with respect to excess amounts over the FDIC insured limits.

Accounts Receivable, Notes Receivable and Allowance for Credit Losses

Accounts receivable represent receivables due from the sale of services to commercial customers provided by company-owned outlets and royalties and other fees due from the Company's franchisees. The Company records receivables from services provided by company-owned outlets at the time a transaction is completed, which is recorded at net realizable value. Royalty receivables are based on a percentage of the franchisee's net sales, as defined in the franchise agreement, payable monthly and include invoiced amounts and unbilled amounts to be invoiced in the month subsequent to year-end.

Notes receivable comprise of certain initial franchise fees, which are payable under the terms of a note receivable agreement that specifies the repayment period and interest charged, and/or cash advances to franchisees.

The Company maintains an allowance for expected credit losses to reserve for potential uncollectible receivables. The allowance is recognized in an amount equal to anticipated future write-offs over the expected life of the receivables. The Company estimates the allowance for credit losses based on historical experience, customer payment practices, credit quality of the franchisee and current economic trends. Actual credit losses could differ from those estimates. Account balances are charged off against the allowance when management believes it is probable the receivable will not be recovered. The allowance for credit losses at December 31, 2024,

December 31, 2023, and January 1, 2023 was approximately $433,000, $246,000, and $26,000, respectively. Direct charge-offs, net of recoveries, totaled $482,000 and $432,000 for the years ended December 31, 2024 and 2023, respectively.

Property and Equipment

Property and equipment is stated at cost, or fair value when acquired in a business combination, less accumulated depreciation. The cost of improvements that enhance the estimated useful life of property and equipment are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts. The cost of maintenance and repairs, which are not significant improvements, are expensed when incurred.

Depreciation and amortization are provided utilizing the straight-line method over the following estimated useful lives:

Vehicles	2-5 years
Leasehold improvements	Shorter of lease term or 15 years
Furniture and fixtures	5-7 years
Equipment and other	3-7 years

Property and equipment acquired in a business combination are depreciated over the remaining useful life of the asset.

Intangible Assets

Intangibles Resulting from Business Combinations

The Company's intangible assets from a prior business combination are amortized over their period of expected benefit, and the useful lives and amortization methods are as follows:

Trade name	Straight-line method	11 years
Developed technology and capitalized software development costs	Straight-line method	5 years

Capitalized Software Development Costs

The Company capitalizes the costs associated with software development when the preliminary project stage is completed, and the software will be used to perform the function intended. These capitalized costs include external direct costs of services consumed in developing or obtaining internal-use software. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for upgrades and enhancements to the products are also capitalized. Costs incurred related to less significant modifications and enhancements, as well as maintenance, are expensed as incurred. Post-configuration training and maintenance costs are expensed as incurred. Software development and implementation is associated with the Company's proprietary customer relationship management software, which is used by the Company and its franchisees and the Company does not transfer ownership to its franchisees. Capitalized software development costs are included within intangible

assets on the accompanying consolidated balance sheet. Capitalized costs were approximately $468,000 and $521,000 for the years ended December 31, 2024 and 2023, respectively.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, such as property and equipment, right-of-use ("ROU") assets and intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. Estimates of expected future cash flows represent management's best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized is permanent and may not be restored. As of December 31, 2024 and 2023, the Company determined that an impairment did not occur.

Goodwill

Goodwill represents the excess of the purchase price over the value assigned to assets acquired and liabilities assumed in connection with a business combination. The Company elected to adopt the private company alternative with respect to goodwill, under which goodwill is amortized on a straight-line basis over a period not to exceed ten years. The Company amortizes goodwill over ten years. The Company also has elected the accounting alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period and at the entity level.

Circumstances that could require an impairment assessment include, but are not limited to, (i) a significant adverse change in legal factors or business climate, (ii) the emergence of increased competition, (iii) an adverse action or assessment by a governmental agency or regulator, or (iv) overall financial performance such as negative or declining cash flows. If that qualitative assessment indicates that it is more likely than not that the goodwill is impaired, the entity must perform the quantitative test to compare the entity's fair value with its carrying amount, including goodwill. If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is not required.

The fair value of the entity is estimated using various valuation techniques, including the discounted value of estimated future cash flows (an income approach). Assumptions regarding future cash flows and growth rates are based on the annual operating budget and long-term plans and discount rate assumptions are based on an assessment of the risk inherent in the entity. If the carrying amount exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss represents the excess of the carrying amount of the entity over its fair value and cannot exceed the entity's carrying amount of goodwill. As of December 31, 2024, and 2023, the Company determined that an impairment did not occur.

Accounting for Business Combinations

The Company accounts for acquisitions under ASC 805, *Business Combinations* ("ASC 805"). Under ASC 805, an acquiring entity is required to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at fair value as of the acquisition date.

The determination of fair value involves the use of estimates and assumptions, along with the application of various valuation techniques. These estimates may include projections of future cash flows related to specific assets and the assessment of future lives based on the expected future period of benefit of the asset. The value assigned to goodwill is the residual of the purchase price of the fair value of all identifiable assets acquired, excluding assembled workforce (which cannot be accounted for separately from goodwill), less all liabilities assumed and any non-controlling interest. Related acquisition costs are expensed as incurred.

U.S. GAAP allows an alternative for an entity that does not meet the definition of a public business entity to not recognize separately from goodwill customer related intangible assets unless they are capable of being licensed independently from the other assets of the business and noncompetition agreement. The Company has elected to adopt this accounting alterative and has included the fair value, if any, of customer relationships and noncompetition agreements as a component of goodwill, which is amortized.

Fair Value of Financial Instruments

The Company follows the accounting guidance prescribed in ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). Among other requirements, ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure about the use of fair value to measure assets and liabilities. Fair value is a market-based measure based on the perspective of a market participant that holds the asset or owes the liability, rather than an entity-specific measure. Therefore, when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability on a measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1: Observable inputs, such as quoted prices in active markets for identical assets or liabilities to which the Company has access at a measurement date.

Level 2: Observable inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, 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: Unobservable inputs for which little or no market data exists, and for which the Company must develop its own assumptions regarding the assumptions that market participants would use in pricing the asset or liability, including assumptions regarding risk.

The fair value of the Company's short-term financial instruments, including receivables, prepaid and other current assets, accounts payable and accrued expenses and other liabilities, arising in the ordinary course of business, approximated their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the Company's line of credit, notes payable and notes receivable approximates its carrying value as interest rates are reflective of market rates. Non-recurring fair value measurements relate to unobservable inputs used in deriving the fair value of equity-based compensation, certain assets acquired and liabilities assumed and contingent consideration in connection with business combinations, which are classified within Level 3 of the fair value hierarchy. Recurring fair value measurements relate to subsequent measurement of contingent consideration liabilities. See Note 3, Note 11, and Note 13 for further information.

Investments

Equity Method Investments

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, investee dependence on the investor, and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company. Under the equity method of accounting, an investee company's accounts are not reflected within the Company's balance sheet and statement of operations and comprehensive loss; however, the Company's share of the earnings or losses of the investee company is reflected in earnings within other income (expense).

When the Company's carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Company's consolidated financial statements unless the Company has guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

As of January 1, 2023, the Company held a 30% ownership in Riverwalk Holdings, L.L.C. ("Zerorez San Antonio"). As the Company exercised significant influence over Zerorez San Antonio the Company's investment was recorded using the equity method. The equity method investment was recorded at acquisition cost plus the Company's equity in the undistributed earnings or losses of the entity. As of January 1, 2023, the carrying value of the equity method investment was approximately $22,000. In February 2023, the Company divested its 30% ownership in Zerorez San Antonio in exchange for a $75,000 note receivable, payable to the Company under the terms of a promissory note over 10 years. The Company recognized a gain of approximately $53,000 on the transaction, which is included in other income, net on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2023. The Company's proportionate share of activities from January 1, 2023 through divestiture date were de minimis.

Cost Method Investments

Investee companies not accounted for under the consolidation or equity method of accounting are accounted for under the cost method of accounting. Under the cost method, the Company's share of the earnings or losses of the investee company are not recorded, and income is only recognized to the extent dividends are received from the investee. Impairment charges, if any, are recognized when circumstances suggest that the cost of the investment is not recoverable.

As of December 31, 2024 and 2023, and for the years then ended, respectively, the Company held a 10% interest in Zerorez Central Oregon, LLC ("Zerorez Oregon") and a 15% interest in Letesoft, LLC. As of January 1, 2023, the Company also held a 15% interest in Zerorez of Puget Sound, LLC, which was divested in April 2023 for no consideration. The Company incurred a loss of approximately $185,000 on the divestiture which is included in other income, net on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2023. As of December 31, 2024 and 2023, the carrying value of cost method investments totaled $100,000.

Debt Issuance Costs

Debt issuance costs incurred in connection with obtaining or modifying debt have been capitalized in the accompanying consolidated balance sheets and are being amortized using the effective interest method over the term of the borrowing repayment period, unless the debt obligation is terminated earlier, in which case the remaining costs are expensed in the period of termination. Debt issuance costs relating to line of credit arrangements are presented as other long-term assets and financing costs relating to term loan arrangements are presented as a reduction of long-term debt.

Contract Liabilities

Amounts received prior to satisfying the revenue recognition criteria are recorded as contract liabilities in the accompanying consolidated balance sheets. Amounts not expected to be recognized within the next twelve months are classified as contract liabilities, net of current portion. During the year ended December 31, 2024, the Company recognized approximately $1,221,000 of revenue which was included in the contract liability balance as of December 31, 2023. During the year ended December 31, 2023, the Company recognized approximately $478,000 of revenue which was included in the contract liability balance as of January 1, 2023.

Revenue Recognition

The Company accounts for revenue in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligation in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

Company-Owned Outlet Income

Company-owned outlets provide cleaning services to residential and commercial customers, and revenue is recognized when the performance obligation is satisfied, which occurs upon delivery of the service to the customer. Revenue recognized excludes sales taxes collected from customers.

Franchise Revenues

The Company's franchise agreement outlines the rights and responsibilities of the Company and its franchisees and requires the Company to perform various activities to support the Brand that do not directly transfer goods and services to the franchisee. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality and substantially all of the utility is derived from its association with the Company's past or ongoing activities.

The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the Brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such, are considered to represent a single performance obligation. Nonpublic company franchisors may apply a practical expedient that permits pre-opening activities provided to a franchisee to be accounted for as distinct from the franchise license, if the pre-opening activities are consistent with those activities included in a predefined list within the guidance. For the Company, those activities primarily relate to training services. The Company has made an accounting policy election to account for the pre-opening services as a single bundled performance obligation, as allowed under ASC 606. Therefore, the Company has two performance obligations: a franchise license and pre-opening services.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) royalty fees; (c) Brand fund fees; and (d) technology fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required.

The Company recognizes the primary components of the transaction price as follows:

Royalty Fees and Brand Fund Fees

Royalties and franchisee contributions to the Brand fund are calculated as a percentage of franchisee sales, per percentages as defined in the franchise agreement (currently 6% for royalties and 1% up to 3% for Brand fund contributions), over the term of the franchise agreement and recorded monthly. Royalties and Brand fund contributions represent sales-based fees that are related entirely to the Company's performance obligation under the franchise agreement and are recognized as franchisee-level sales occur. Royalties are collected monthly and are reflected in royalty fee revenue in the accompanying consolidated statements of operations and comprehensive loss. Brand fees are reflected in Brand fund contributions in the accompanying consolidated statement of operations and comprehensive loss.

Franchise Fees

Upon execution of an initial franchise agreement, the Company requires a non-refundable upfront franchisee fee ("initial fee"). The franchise agreement defines a specific geographic territory,

and if the population in the defined territory is in excess of a specific population, the franchisee will pay additional non-refundable consideration ("additional territory fee"). The population specific to the territory is based on the most recently available U.S. Census. The initial fee and additional territory fee allow the franchisee the exclusive right to conduct business within its defined territory. Terms of the franchise agreement allow the franchisee non-exclusive rights to offer products and services outside of their defined territory, as defined. Additionally, the Company may sell existing franchisees additional exclusive territories when the franchisee desires to expand their presence and/or open additional locations. The Company's services under the franchise agreement include training of franchisees and staff and ongoing operations support.

The transaction price the Company is entitled to receive is allocated between the performance obligations (i.e., the pre-opening services and the franchise license) in proportion to its standalone selling price. Revenue is recognized for pre-opening services when the bundle of services has been completed and satisfied. Revenue allocated to the franchise license is recognized ratably on a straight-line basis over the term of the franchise agreement, which is generally 10 years.

Initial fees are due upon execution of the franchise agreement and the Company may provide financing for additional territories purchased, over terms of 24 or 36 months, which are not interest bearing unless in default of the terms of the promissory note. The Company determines imputed interest at inception of the promissory note, and recognition of interest income over the repayment term, when applicable.

The Company recognized approximately $109,000 of pre-opening services at a point in time while approximately $1,106,000 of franchise license revenue was recognized over time for the year ended December 31, 2024. The Company recognized approximately $149,000 of pre-opening services at a point in time while approximately $487,000 of franchise license revenue was recognized over time for the year ended December 31, 2023.

Technology, Service Fees and Other

Technology fees for use of the Company's propriety software and information technology support, as defined in the franchise agreement, are charged on a monthly basis to the franchisee.

Service fees for various training and other services provided by the Company to the franchisee, as defined in the franchise agreement, are charged as incurred.

Other revenues are comprised primarily of agreements with suppliers that entitle the Company to receive rebates for required use of certain products by the Company's franchisees as defined in the franchise agreement. Rebates are recognized as revenue when earned.

Fees described above are reflected in technology, service fee and other in the accompanying consolidated statements of operations and comprehensive loss. For the year ended December 31, 2024, the Company recognized approximately $381,000 related to technology fees, and approximately $109,000 related to rebates. No service fee revenue was earned. For the year ended December 31, 2023, the Company recognized approximately $382,000 related to technology fees, and approximately $73,000 related to rebates. No service fee revenue was earned.

Leases

The Company accounts for leases in accordance with ASC 842 *Leases: Topic 842* ("ASC 842"). The Company determines if an arrangement is a lease at inception of a contract. At lease commencement, leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: (1) the lease transfers ownership of the underlying asset by the end of the lease term; (2) the lease contains an option to purchase the underlying asset that is reasonably certain to be exercised; (3) the lease term is for a major part of the remaining economic life of the underlying asset; (4) the present value of the sum of lease payments and any guaranteed residual value that is not already included in the lease payments equals or exceeds substantially all of the fair value of the underlying asset; or (5) the underlying asset is of such a specialized nature that is expected to have no alternative use to the lessor at the end of the lease term. A lease is classified as an operating lease if it does not meet any one of these criteria.

For leases with an initial term greater than 12 months, a related lease liability is recorded on the balance sheet at the present value of future lease payments over the lease term. As the rate implicit in the Company's leases is not readily determinable, the Company uses an incremental borrowing rate that is estimated to approximate the interest rate the Company would have to pay to borrow on a collateralized basis with similar terms and payments in an economic environment similar to where the leased asset is located. The lease liability is determined as the present value of future lease payments over the lease term. The ROU asset is recorded at the initial amount of the lease liability, plus any lease payments made to the lessor before or at the lease commencement date and any initial direct costs incurred, less any tenant improvement allowance incentives received. Lease terms may include options to extend or terminate the lease. These options are included in the lease term when it is reasonably certain that the option will be exercised.

The Company elected the practical expedient related to treating lease and non-lease components as a single lease component for all leases as well as electing a policy exclusion permitting leases with an original lease term of less than one year to be excluded from the ROU assets and lease liabilities.

Operating lease expense is recognized on a straight-line basis over the lease term. Tenant incentive allowances received from the lessor are amortized through the ROU asset as a reduction of rent expense over the lease term. For finance leases, the ROU assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life, unless the terms of the lease include a bargain purchase option or transfer ownership at the end of the lease term in which the ROU asset is amortized over the estimated useful life. Interest for finance leases is recognized using the effective interest method over the lease term. Variable lease payments that are not based on an index or that result from changes to an index subsequent to the initial measurement of the corresponding lease liability are not included in the measurement of ROU assets or lease liabilities and instead are recognized in earnings in the period in which the obligation for those payments is incurred. Leases with an initial term of 12 months or less (short-term leases) are not recorded on the consolidated balance sheets. Short-term lease expense is recognized on a straight-line basis over the lease term.

Equity-Based Compensation

Equity-based compensation is accounted for as an expense in accordance with ASC 718, *Compensation - Stock Compensation* ("ASC 718"), which requires compensation cost for the grant-date fair value of equity-based awards to be recognized over the requisite service period. For awards subject to service conditions, compensation expense is recognized over the vesting period on a straight-line basis. The fair value is based on the Black Scholes Option Pricing Model. The Company accounts for forfeitures when they occur, and any compensation expense previously recognized on unvested equity-based awards will be reversed when forfeited. See Note 13 for further information.

Income Taxes

The Company is taxed as a corporation under the provisions of the United States Internal Revenue Code. Under those provisions, the Company pays federal, state and foreign income taxes on its taxable income. The Company is subject to income taxes in the U.S., the U.K., and certain state jurisdictions. The provision for income taxes represents actual or estimated amounts payable or refundable on tax return filings each year. Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying consolidated balance sheet, and for operating loss and tax credit carry forwards and carrybacks. The change in deferred tax assets and liabilities for the period measures the deferred tax provision or benefit for the period. Effects of changes in enacted tax laws on deferred tax assets and liabilities are reflected as adjustments to the tax provision or benefit for the period of enactment. Valuation allowances are provided against deferred tax assets when it is determined that it is more likely than not that such assets will not be recovered.

In accordance with FASB ASC Topic 740, *Income Taxes*, management has evaluated the Company's tax positions and concluded that the Company has taken no material uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Penalties and interest, if any, would be reflected in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive loss.

Advertising Costs

The Company expenses the cost of advertising as incurred. Advertising and marketing expenses in the accompanying consolidated statements of operations and comprehensive loss includes approximately $11,242,000 and $10,106,000, for the years ended December 31, 2024 and 2023, respectively.

Recently Issued Accounting Pronouncements - Current Adoption

In March 2024, the FASB issued ASU 2024-01, *Compensation - Stock Compensation (Topic 718)* ("ASU 2024-01"), which provides illustrative guidance to clarify the scope application of ASC 718 to profit interests and similar awards. The Company elected to early adopt the guidance contained within ASU 2024-01 as of January 1, 2024, on a prospective basis. This adoption method is considered a change in accounting principle requiring additional disclosure of the nature and reason for the change. Only after consideration of the additional illustrative guidance regarding the applicable scope of ASC 718 as it applies to profits interests provided by ASU 2024-01, was it determinable that

certain profit interests granted to employees of the Company (see Type B Profit Units described in Note 13) were more accurately classified as a substantive class of equity versus treatment under ASC 710, *Compensation*. Therefore, this change in accounting principle was made solely due to the adoption of ASU 2024-01. As a result of the adoption of ASU 2024-01, approximately $156,000 of additional equity-based compensation expense was recognized during the year ended December 31, 2024. See Note 13.

Recently Issued Accounting Pronouncements - Future Adoption

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this update are intended to enhance the transparency and decision usefulness of income tax disclosures primarily through changes to the rate reconciliation and income taxes paid information. This update is effective for annual periods beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the ASU to determine its impact on the consolidated financial statements and related disclosures.

3. Business Combinations

2024 Acquisition - Southern California franchise

Effective June 25, 2024, Zerorez entered into an asset purchase agreement to acquire the assets of ZSC, LLC. The consideration paid or payable consisted of approximately $0.5 million of cash paid to the sellers, approximately $0.7 million to repay outstanding seller debt, and $1.5 million as a holdback which is payable to sellers. See Note 6 for information on the seller holdback liability.

The fair value of the purchase price, assets acquired, and liabilities assumed are based on third-party valuation studies and management estimates in accordance with ASC 805. Fair value estimates are based on complex series of judgements about future events and uncertainties and rely heavily on estimates and assumptions. The judgements used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets lives, can impact the Company's consolidated financial statements.

The fair value of assets acquired and liabilities assumed was as follows:

Property and equipment	$	517,200
Operating lease right-of-use-assets		248,871
Operating lease liabilities		(248,871)
Total fair value of net assets acquired		517,200
Goodwill		2,232,800
Total purchase price	$	2,750,000

Goodwill reflects the expected synergies and other benefits that the Company believes will result from the combination of the Southern California Franchise and expanded market opportunities along with the value of the assembled workforce.

The fair value of the purchase price was as follows:

Cash paid upon acquisition	$	1,250,000
Seller holdback liability		1,500,000
Total purchase price	$	2,750,000

The cash paid upon acquisition was funded by the Company with cash on hand. Costs incurred by the Company related to the acquisition were $165,000 which are included in general and administrative expenses on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2024. The total amount of goodwill recognized in the transaction expected to be deductible for tax is approximately $2,233,000.

2023 Acquisition - Jacksonville franchise

Effective April 13, 2023, Zerorez entered into an asset purchase agreement to acquire the assets of First Coast Zerorez, LLC. The consideration paid consisted of approximately $1.6 million of cash paid to the sellers, approximately $0.4 million to repay outstanding seller debt, and contingent consideration with a fair value of $0.8 million. The asset purchase agreement contains contingent consideration provisions based on fiscal year 2023 and 2024 adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") targets, as defined, for up to $1.4 million for each 2023 and 2024.

The fair value of the purchase price, assets acquired, and liabilities assumed are based on third-party valuation studies and management estimates in accordance with ASC 805. Fair value estimates are based on complex series of judgements about future events and uncertainties and rely heavily on estimates and assumptions. The judgements used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets lives and the expected future cash flows and related discount rates, can impact the Company's consolidated financial statements. Fair value of contingent consideration was based on unobservable inputs using a Black Scholes-Option Pricing Model, with inputs that included estimated amount and timing of EBITDA, discount rate of 20.0%, discount factor of approximately 0.80%-0.94%, expected term of 0.36-1.22 years, volatility of 37.5%, and risk-free rate of approximately 4.46%-4.97%. Refer to Note 11 for information on subsequent measurement of the contingent consideration.

The fair value of assets acquired and liabilities assumed was as follows:

Property and equipment	$	1,152,000
Operating lease right-of-use-assets		458,275
Operating lease liabilities		(458,275)
Total fair value of net assets acquired		1,152,000
Goodwill		1,621,255
Total purchase price	$	2,773,255

Goodwill reflects the expected synergies and other benefits that the Company believes will result from the combination of the Jacksonville Franchise and expanded market opportunities along with the value of the assembled workforce.

The fair value of the purchase price was as follows:

Cash paid upon acquisition	$ 1,983,255
Contingent consideration	790,000
Total purchase price	$ 2,773,255

The acquisition was funded by cash and related costs incurred by the Company were approximately $151,000 which are included in general and administrative expenses on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2023. The total amount of goodwill recognized in the transaction expected to be deductible for tax is approximately $1,622,000.

4. Property and Equipment

Property and equipment consisted of the following:

December 31,	2024	2023
Vehicles	$ 18,038,259	$ 19,615,271
Equipment, furniture and fixtures, and other	1,429,431	1,072,511
Leasehold improvements	1,602,379	840,958
Property and equipment	21,070,069	21,528,740
Less: accumulated depreciation	(12,329,499)	(8,504,712)
Property and equipment, net	$ 8,740,570	$ 13,024,028

Depreciation expense for the years ended December 31, 2024 and 2023 was approximately $6,257,000 and $6,398,000, respectively.

5. Goodwill and Intangible Assets

Goodwill consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Balance, January 1, 2023	$ 24,249,734	$ (909,365)	$ 23,340,369
Goodwill	1,621,255	-	1,621,255
Amortization	-	(2,539,847)	(2,539,847)
Balance, December 31, 2023	$ 25,870,989	$ (3,449,212)	$ 22,421,777
Goodwill	2,232,800	-	2,232,800
Amortization	-	(2,698,787)	(2,698,787)
Balance, December 31, 2024	**$ 28,103,789**	**$ (6,147,999)**	**$ 21,955,790**

Goodwill amortization expense for the years ended December 31, 2024 and 2023 was approximately $2,699,000 and $2,540,000, respectively.

Intangible assets consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trade name	$ 21,103,000	$ (2,637,874)	$ 18,465,126
Developed technology and capitalized software development costs	5,666,616	(1,460,725)	4,205,891
Balance, December 31, 2023	$ 26,769,616	$ (4,098,599)	$ 22,671,017

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trade name	$ 21,103,000	$ (4,556,329)	$ 16,546,671
Developed technology and capitalized software development costs	6,134,424	(2,642,558)	3,491,866
Balance, December 31, 2024	$ 27,237,424	$ (7,198,887)	$ 20,038,537

Amortization expense related to developed technology, capitalized software development costs and trade names was approximately $3,100,000 and $3,002,000 for the years ended December 31, 2024 and 2023, respectively.

The weighted average remaining useful life of intangible assets as of December 31, 2024 and 2023 were approximately 7.6 years and 8.5 years, respectively.

Based on the carrying value of intangible assets at December 31, 2024, and assuming no subsequent impairment charges, the approximate future annual amortization expense is expected to be as follows:

Year Ended December 31,	
2025	$ 3,145,340
2026	3,145,340
2027	2,766,769
2028	2,061,457
2029	1,965,236
Thereafter	6,954,395
Total	$ 20,038,537

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

December 31,	2024	2023
Contingent consideration, current portion	$ 1,388,279	$ 1,310,000
Seller holdback liability	1,421,501	-
Accrued wages and payroll liabilities	1,209,819	1,231,797
Contract termination liability, current portion	350,000	350,000
Sales taxes	78,409	166,402
Other accrued expenses	524,046	470,036
Total accrued expenses and other liabilities	$ 4,972,054	$ 3,528,235

Seller Holdback Liability

Effective June 25, 2024, in connection with the 2024 Acquisition described in Note 3, the Company held back $1,500,000 of the purchase price. Under the terms of the agreement, the holdback liability is non-interest bearing and is due to the sellers, less indemnities, as defined, on December 25, 2025. As of December 31, 2024, approximately $1,422,000 was outstanding and is included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

7. Line of Credit

Line of Credit

Effective August 15, 2022, the Company entered into a credit agreement, which provides a revolving commitment up to $2,500,000 through maturity on August 15, 2025. The revolving commitment bears interest at a rate per annum equal to the adjusted daily simple secured overnight financing rate ("SOFR") in effect, as defined, plus an applicable margin between 2.75% - 3.75% depending on the Company's leverage ratio, as defined. The applicable margin as of December 31, 2024 was 3.00% (total interest rate of 7.91% at December 31, 2024). The revolving commitment is secured by substantially all the assets of the Company. As of December 31, 2024 and 2023, the outstanding balance under the revolving commitment was $0.

8. Notes Payable and Other Long-Term Debt

A summary of notes payable is as follows:

December 31,	2024	2023
Note payable - term loan	$ 19,187,547	$ 23,187,547
Other notes payable	187,500	-
Less: unamortized debt issuance costs	(136,823)	(189,787)
Notes payable, net of debt issuance costs	19,238,224	22,997,760
Less: current maturities	(5,387,500)	(4,400,000)
Notes payable, net of current portion and debt issuance costs	$ 13,850,724	$ 18,597,760

Note Payable - Term Loan

Effective August 15, 2022, the Company entered into a credit agreement that provided $32,000,000 under a note payable. The note matures August 15, 2027, and principal is payable in quarterly installments between $1,000,000 and $1,200,000, commencing September 2022 with a balloon payment of $9,600,000 payable at maturity. The note bears interest at a rate per annum equal to the SOFR in effect, as defined, plus an applicable margin between 2.75% to 3.75% depending on the Company's leverage ratio, as defined. The applicable margin as of December 31, 2024 was 3.00% (total interest rate of 7.91% at December 31, 2024). The note payable is secured by substantially all the assets of the Company.

On September 22, 2023, the Company entered into a first amendment to the credit agreement which waived certain noncompliance with financial covenants for periods in 2023. The amendment additionally revised certain financial covenant requirements from September 2023 through June 30, 2024 and amended the repayment terms to require an additional one-time payment of approximately $2,800,000. In connection with the first amendment, the Company incurred an amendment fee of $50,000.

As of December 31, 2024 and 2023, the Company was in compliance with the amended financial covenants.

Note Payable - Other

Effective October 1, 2024, in connection with the acquisition of the 50% ownership interest in Zerorez Richmond described in Note 2, the Company recognized the full purchase price of $250,000 as a note payable. The note is payable in twelve equal monthly installments starting October 2024 through September 2025. The note bears interest at an annual rate of 6%. As of December 31, 2024, approximately $188,000 was outstanding and is included in notes payable in the accompanying consolidated balance sheets.

Scheduled future principal maturities of the notes payable, excluding unamortized debt issuance costs, are as follows:

Year Ended December 31,	
2025	$ 5,387,500
2026	4,800,000
2027	9,187,547
Total	$ 19,375,047

Other Long-Term Debt

On August 15, 2022, ZFS entered into an agreement with a related party which granted the related party the right to receive 50% of additional territory fees associated with a defined geographic location should ZFS sell the franchise rights to that location in a future franchise agreement. In exchange for this right, the Company received $1,035,000 interest-free. As of December 31, 2024 and 2023, the Company has not entered into a franchise agreement for the defined geographic location nor collected the additional territory fees. Accordingly, no repayments have been made. The proceeds from the agreement are recorded as a liability related to the sale of future revenues.

As of December 31, 2024 and 2023, the liability of approximately $983,000 is included in other long-term liabilities on the consolidated balance sheets.

9. Leases

The Company leases facilities and certain vehicles under various non-cancellable lease agreements. Lease terms of the facilities primarily range from approximately 5-10 years (subject to elective extension) and generally provide for escalation in base rents. The majority of the facility leases contain one or more options to renew the lease at the Company's discretion. Facility lease maturity dates range from 2025 to 2034. Vehicle leases provide for terms of 5 years with maturity in 2029, with the option thereafter to continue month-to-month. Generally, the Company does not consider the exercising of additional renewal periods or future continuation of leases on a month-to-month basis to be reasonably certain.

The Company's lease costs are as follows:

Year Ended December 31,	2024	2023
Amortization of finance lease ROU assets	$ 544,262	$ -
Interest of finance lease liabilities	164,287	-
Total Finance Lease Expense	708,549	-
Operating lease expense	2,721,233	2,413,821
Variable lease expense	674,062	655,148
Short term lease expense	19,575	-
Total lease expense	$ 4,123,419	$ 3,068,969

Classification of the Company's lease costs are as follows:

Year Ended December 31,	2024	2023
Lease cost - general and administrative	$ 3,414,870	$ 3,068,969
Lease cost - amortization expense	544,262	-
Lease cost - interest expense	164,287	-
Total Lease Expense	$ 4,123,419	$ 3,068,969

The maturity analysis of the operating and finance lease liabilities as of December 31, 2024, is as follows:

Year Ended December 31,	Operating Leases	Finance Leases	Total
2025	$ 2,432,796	$ 1,125,028	$ 3,557,824
2026	1,876,235	965,378	2,841,613
2027	1,693,098	965,378	2,658,476
2028	1,511,771	965,378	2,477,149
2029	1,285,239	476,901	1,762,140
Thereafter	3,460,834	-	3,460,834
Total minimum lease payments	12,259,973	4,498,063	16,758,036
Less lease payments representing interest	(2,828,853)	(755,759)	(3,584,612)
Net present value of lease liabilities	9,431,120	3,742,304	13,173,424
Less current portion	(1,749,549)	(820,287)	(2,569,836)
Lease liabilities, net of current portion	$ 7,681,571	$ 2,922,017	$ 10,603,588

Future minimum lease payments exclude approximately $690,000 of future payments required under facility lease extensions that were not yet signed as of December 31, 2024. These operating leases extensions increase their respective facility terms by 3.0 years.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate on long-term leases:

As of December 31,	2024	2023
Weighted average remaining lease term (in years)		
Operating leases	6.9	4.7
Finance leases	4.5	-
Weighted average discount rate		
Operating leases	8.14%	7.29%
Finance leases	8.67%	-

The following provides supplemental information related to the Company's consolidated statements of cash flows:

Years Ended December 31,	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 2,321,749	$ 2,296,299
Financing cash flows from finance leases	$ 380,044	-

The Company's subleasing activities are as follows:

Year Ended December 31,	2024	2023
Sublease income	$ 17,502	$ -

The Company recognizes income from its subleasing arrangement on a straight-line basis of over the term of the lease. Sublease income is included within general and administrative expenses on the consolidated statements of operations and comprehensive loss to offset the associated lease costs incurred. Sublease income to be received will be approximately $1,100,000 through 2030, ranging annually from approximately $150,000 to $230,000.

10. Income Taxes

Components of the provision for income tax expense consisted of the following:

Years Ended December 31,	2024	2023
Current expense	$ 67,229	$ -
Deferred expense	-	-
Income tax expense	$ 67,229	$ -

The Company's effective tax rate during the years ended December 31, 2024 and 2023 differs from the federal statutory rate of 21% primarily due to the effect of changes in valuation allowance, non-deductible acquisition-related costs, and non-deductible portion of goodwill. As of December 31, 2024, the carrying value of the non-deductible portion of goodwill was approximately $3,265,000.

The deferred tax assets (liabilities), net consisted of the following:

December 31,	2024	2023
Deferred tax assets:		
Net operating losses and other carryforwards	$ 5,869,043	$ 3,765,996
Contract liabilities and other liabilities	2,834,518	3,176,554
Operating lease liability	2,334,031	1,778,464
Other	22,597	31,029
Total deferred tax assets	11,060,189	8,752,043
Deferred tax liabilities:		
Operating lease right-of-use-assets	(2,193,896)	(1,742,068)
Property and equipment	(535,346)	(207,435)
Intangible assets	(207,530)	(748,217)
Other	-	(57,686)
Total deferred tax liabilities	(2,936,772)	(2,755,406)
Deferred taxes, net before valuation allowance	8,123,417	5,996,637
Less: valuation allowance	(8,123,417)	(5,996,637)
Deferred taxes, net	$ -	$ -

The Company recognizes deferred tax assets to the extent it believes, based on available evidence, that it is more likely than not that they will be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent results of operations. As of December 31, 2024, the Company had gross federal and state operating losses ("NOLs") of approximately $16,314,000 and $7,485,000, respectively, and approximately $3,949,000 of foreign NOLs. Federal NOLs arising in tax years prior to 2018 will expire commencing in 2025 through 2034 and Federal NOLs arising in tax years in 2018 forward do not expire but may only be used against taxable income up to 80% per year. Certain state NOLs will expire commencing in 2025 through 2044 and certain State NOLs do not expire. The foreign NOLs do not expire.

Utilization of the NOLs may be subject to an annual limitation due to the ownership percentage change limitations provided under Section 382 of the Internal Revenue Code ("IRC") of 1986, as amended, and the percentage of taxable income limitations provided under Section 172 of the IRC. Similar state provisions may apply.

Increases in the valuation allowance at December 31, 2024 and 2023 were approximately $2,127,000 and $1,433,000, respectively.

The Company did not recognize any significant interest or penalties resulting from income taxes during the years ended December 31, 2024 and 2023.

11. Contingent Consideration

In connection with business combination transactions which took place in 2023 and 2022, the Company has recorded contingent consideration liabilities related to the achievement of certain performance targets. The Company measures the contingent consideration liabilities at fair value at each reporting date. Fair values as of December 31, 2024 were based on those amounts which were determined with certainty to be payable in 2025. Fair values as of December 31, 2023, were based on a Black Scholes-Option Pricing Model, using significant unobservable inputs classified within Level 3 of the fair value hierarchy. Inputs included estimated amount and timing of EBITDA, discount rate of 21.0%, discount factor of approximately 0.91%, expected term of 0.50 years, volatility of 29.0%, and risk-free rate of approximately 5.46%.

The following table presents a roll forward of the contingent consideration liabilities, measured at fair value on a recurring basis:

	2022 Acquisition	2023 Acquisition	Total
Balance, January 1, 2023	$ 7,700,000	$ -	$ 7,700,000
Fair value of contingent consideration liability - Jacksonville Franchise		790,000	790,000
Change in fair value included in earnings	(5,600,000)	930,000	(4,670,000)
Balance, December 31, 2023	2,100,000	1,720,000	3,820,000
Payment of contingent consideration	-	(1,310,000)	(1,310,000)
Change in fair value included in earnings	(2,100,000)	978,279	(1,121,721)
Balance, December 31, 2024	$ -	$ 1,388,279	$ 1,388,279

The net gain from change in fair value is included within other income on the consolidated statements of operations and comprehensive loss. The current portion of the contingent consideration liabilities was approximately $1,388,000 and $1,310,000 as of December 31, 2024 and

2023, respectively, and is included within accrued expenses and other liabilities on the consolidated balance sheets. The noncurrent portion of the contingent consideration liabilities was $0 and $2,510,000 as of December 31, 2024 and 2023, respectively, and is included within other long-term liabilities on the consolidated balance sheets.

Payments of contingent consideration during the year ended December 31, 2024 were approximately $1,310,000. In accordance with ASC 230, *Statement of Cash Flows*, on the consolidated statement of cash flows for the year ended December 31, 2024, the associated fair value at the date of the 2023 Acquisition of $490,000 is included as a cash outflow from investing activities, while the portion in excess of the acquisition date fair value, $820,000, is included within operating activities under changes in accrued expenses and other liabilities.

12. Commitments and Contingencies

Royalty Reallocation Termination and Settlement Agreement

Prior to August 16, 2022, ZFS entered into a series of agreements in which recurring royalties and Brand fund contribution fees payable by four franchisees to ZFS were reallocated to an affiliated entity ("Royalty Reallocation Agreement"). In August 2022, Zerorez and the parties to the Royalty Reallocation Agreement executed a Termination and Settlement Agreement providing for the termination of all rights and obligations under the Royalty Reallocation Agreement. As consideration for the Termination and Settlement Agreement, ZFS agreed to pay an annual amount of $350,000 payable in twelve monthly payments commencing August 31, 2022 until the earlier of July 31, 2030 or the closing of a future qualified sale of ZFS. Upon closing of a future qualified sale of ZFS, ZFS would owe an amount equal to $6,500,000 minus the aggregated amount of installment payments made to date, provided in no event that the amount will be less than $5,500,000 ("Buyout Payment"). In the event that gross revenue of the four franchisees declines by more than 20% on a year over year basis to the prior fiscal year, the annual installment payments shall be reduced by the same percentage. Further, in the event that either a future sale of ZFS has not occurred prior to July 31, 2030, or the proceeds from a future sale of ZFS are not sufficient to make the Buyout Payment, then commencing on August 1, 2030 and continuing until the earlier of (a) full payment of the Buyout Amount or (b) December 12, 2054, ZFS will pay monthly payments based on a percentage of gross revenue of the four franchisees, as defined.

The Company evaluated the requirements of ASC 805 and determined the Termination and Settlement Agreement was executed to primarily benefit Zerorez, rather than ZFS or its former owners, and is a separate transaction that should be accounted for separately from the business combination in the period as a termination cost under the requirements of ASC 420, *Exit or Disposal Cost Obligations* ("ASC 420"). ASC 420 requires recognition of a liability for costs to terminate a contract, using an expected present value technique when uncertainties exist in the timing or amount. Under ASC 420, the Company subsequently remeasures the contract settlement liability based on estimated changes in timing or amount of future cash flows. Remeasurements of the contract settlement liability resulted in additional loss of approximately $66,000 and $0 for the years ended December 31, 2024 and December 31, 2023, respectively, which were recorded as an expense within general and administrative expenses.

For each of the years ended December 31, 2024 and 2023, the Company paid $350,000 of installment payments and incurred interest expense of approximately $337,000. At December 31, 2024, the contact settlement liability was approximately $5,525,000, of which $350,000 is presented as current in accrued expenses and other liabilities and the non-current portion of $5,175,000 is

presented in other long-term liabilities. At December 31, 2023, the contract settlement liability was approximately $5,473,000, of which $350,000 is presented as current in accrued expenses and other liabilities and the non-current portion of $5,123,000 is presented in other long-term liabilities.

Transition Services Agreement

In connection with the 2024 Acquisition described in Note 3, the Company entered into transition service agreements ("TSA") with the sellers' party to the asset purchase agreement. The TSA primarily allowed Zerorez to lease the existing employees at the acquired outlet to perform their regular duties. Zerorez reimbursed the sellers all related wage expenses incurred at cost. On January 1, 2025, all leased employees were converted to employees of Zerorez.

In connection with the 2023 Acquisition described in Note 3, the Company entered into transition service agreements ("TSA") with the seller's party to the asset purchase agreement. The TSA primarily allowed Zerorez to lease the existing employees at the acquired outlet to perform their regular duties. Zerorez reimbursed the sellers all related wage expenses incurred at cost. On January 1, 2024, all leased employees were converted to employees of Zerorez.

Litigation

From time to time, the Company is involved in various lawsuits, claims and inquiries that arise in the ordinary course of business. The Company accrues for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. In the opinion of management, any liability that may result of any adverse outcomes of these actions is not expected to be material.

In March 2024, the Company received a demand letter from a party alleging the Company of violating terms of a certain agreement to which both parties entered into in May 2020. The Company believes the claims are without merit. With respect to this matter, the Company believes a loss contingency is not currently probable and an estimate of possible loss, if any, is not currently estimable, accordingly, no loss has been accrued as of December 31, 2024.

Put Right

In connection with the 2023 Acquisition described in Note 3, the seller was provided a right to obligate the Company to purchase an additional franchise location owned by the seller at a set purchase price, in the event the Company undergoes a future qualified sale. The purchase price shall be equal to a fixed multiple, as defined, over the franchise location's trailing twelve-month EBITDA immediately prior to the date of a future qualified sale of the Company.

401(k) Retirement Plan

Effective January 1, 2023, the Company adopted a 401(k) profit sharing plan for eligible employees. Under the terms of the plan, the Company can make employer matching or profit-sharing contributions on a discretionary basis. The Company did not make any matching or profit-sharing contributions to the 401(k) profit sharing plan for the years ended December 31, 2024 and 2023.

13. Equity

Articles of Incorporation

The total number of shares that Zerorez is authorized to issue is 100 shares of common stock having a par value of $1 per share. All issued and outstanding shares in Zerorez are held by the Parent.

Contributions

In February 2024, the Parent entered into a Subscription Agreement under which it issued 1,151.52 Class A units in exchange for $8,000,000. The $8,000,000 was contributed to the Company without an issuance of the Company's common shares to the Parent.

Equity-Based Compensation

In accordance with the limited liability company agreement of the Parent, the board may grant up to 870 Class P Profits Units ("Profits Units") in the Parent to key employees of the Company under the Profit Interests Plan dated September 23, 2022 (the "Plan"). The Plan was amended in August 2024 to increase the number of authorized units available to grant to 910.3. The purpose of the Plan is to promote the profitability and success of the Company by providing key personnel of the Company with incentives to contribute to the growth and financial success of the Company. The board establishes a participation threshold and vesting conditions for each unit.

The following table summarizes the activities related to the Parent's Profit Units:

	Total Outstanding	Unvested
Balance as of January 1, 2023	768	218
Granted	99	99
Vested	-	(186)
Forfeited	(26)	-
Balance as of December 31, 2023	841	131
Granted	60	60
Vested	-	(114)
Forfeited	(12)	-
Balance as of December 31, 2024	889	77

In October 2022, 217.5 units ("Type A Profit Units") were granted to one employee and vest as follows: 40% in July 2023, 25% in July 2024, 15% in July 2025, and 10% in each July 2026 and July 2027. Upon a change of control event, as defined, all unvested Profits Units shall immediately become vested. Upon termination of service, vested Type A Profits Units can be retained by the employee or repurchased at fair value by the Company, at the Company's election. At grant date, the Company determined the Type A Profits Units granted represented a substantive class of equity and are accounted for under the provisions of ASC 718, *Compensation - Stock Compensation*. The Type A Profits Units were fair valued based on the Black Scholes Option Pricing Model, which values all classes of equity as a call option on the enterprise value of the Company and is recorded as compensation expense on a straight-line basis over the requisite service period. No Type A Profit Units were granted in 2024 or 2023. Expense of approximately $86,000 was recognized within general and administrative expenses on the consolidated statements of operations and comprehensive loss for the years ended December 31, 2024 and 2023. At December 31, 2024, there

was approximately $237,000 of unrecognized equity-based compensation expense, which is expected to be recognized over a period of approximately 2.8 years.

During the years ended December 31, 2024 and 2023, 60 units and 99.3 units, respectively, were granted which were fully vested upon grant date and are forfeited and canceled upon termination of service ("Type B Profit Units"). Type B Profit Units which were granted on or after January 1, 2024, the adoption date of ASU 2024-01 as described in Note 2, were determined to represent a substantive class of equity and are accounted for under the provisions of ASC 718, *Compensation - Stock Compensation*. The Type B Profits Units granted on or after January 1, 2024 were fair valued based on the Black Scholes Option Pricing Model, which values all classes of equity as a call option on the enterprise value of the Company and compensation expense was recorded on the date of grant as the units were fully vested. Refer to Note 2 for information on the Company's adoption of ASU 2024-01 and the associated change in accounting principle.

Type B Profit Units granted prior to January 1, 2024, are accounted for under the provisions of ASC 710, *Compensation*, whereas they are recognized as a liability when payment is both probable and reasonably estimable. Currently, any potential payment to be made to holders of the Type B Profits Units is not yet probable nor reasonably estimable, therefore, no liability or expense has been recognized related to these Type B Profit Units granted prior to January 1, 2024 in these consolidated financial statements.

Significant inputs in the Black Scholes Option Pricing Model for Type B Profits Units granted in 2024 are summarized below:

Strike price (hurdle amount per unit)	$	13,192.93
Expected volatility		70.0%
Expected term in years		5.0
Risk-free rate		4.72%

Expected Volatility

The Company uses the volatility of peer group public companies to estimate the volatility assumptions used.

Expected Term

The Company utilizes an expected holding period to estimate the expected term.

Risk-Free Rate

The Company bases the risk-free interest rate on the U.S. Treasury yield curve in effect at the time of grant, based on the expected term.

The grant date fair value of the Type B Profits Units granted during the year ended December 31, 2024 was determined by the Company to be approximately $2,600 per unit. Approximately $156,000 of equity-based compensation expense was recognized within general and administrative expenses on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2024.

14. Related-Party Transactions

Management Agreement

Pursuant to a management services agreement between the Company and an affiliate, the Company shall pay a quarterly management fee equal to the greater of $62,500 or 5% of consolidated adjusted EBITDA, as defined, with a cap of $750,000 each calendar year. Upon the consummation of a future acquisition resulting in a material increase to consolidated adjusted EBITDA, the cap will increase, as defined. Further, the Company reimbursed the affiliate for certain expenses as invoiced by the affiliate related to shared expenses. The term of the management services agreement shall expire upon notice to the Company by the affiliate, upon an initial public offering, or upon the consummation of a sale of the Company, as defined. Total costs incurred by Zerorez under the management services agreement totaled approximately $501,000 and $463,000 for the years ended December 31, 2024 and 2023, respectively. Approximately $139,000 of management fees were prepaid by the Company as of December 31, 2024, and are included in prepaid expenses and other current assets on the consolidated balance sheet. Management fees of approximately $98,000 were accrued as of December 31, 2023, and are included in accrued expenses and other liabilities on the consolidated balance sheet.

Franchisees Operated by Related Parties

For the years ended December 31, 2024 and 2023, the Company recorded revenue associated with royalty fees, Brand fund contributions, franchisee fees and technology, service and other fees related to franchise outlets operated by affiliates, executives and/or stockholders of the Company of approximately $129,000 and $216,000, respectively.

At December 31, 2024 and 2023, related party notes receivable owed from franchise outlets operated by affiliates were approximately $179,000 and $401,000 respectively.

Other

An affiliated entity provides software development and maintenance services to the Company. During the year ended December 31, 2024, the Company incurred costs of approximately $900,000 of which $468,000 was capitalized to software development costs and approximately $432,000 was expensed and is reflected in general and administrative expenses. During the year ended December 31, 2023, the Company incurred costs of approximately $999,000 of which $521,000 was capitalized to software development costs and approximately $478,000 was expensed and is reflected in general and administrative expenses.

Certain affiliated entities provide certain marketing services to the Company's franchisees and company-owned outlets. During the years ended December 31, 2024 and 2023, the Company incurred approximately $735,000 and $3,171,000 of costs, respectively, which is reflected in advertising and marketing expenses. At December 31, 2024 and 2023, approximately $102,000 and $433,000 is included in accounts payable, respectively.

During the years ended December 31, 2024 and 2023, the Company incurred board of director fees of $56,000 and $61,000, respectively.

The Company leases certain facilities from entities controlled by certain stockholders and during the years ended December 31, 2024 and 2023, the Company incurred related party lease costs of

approximately $1,571,000 and $1,196,000, respectively. As of December 31, 2024 and 2023, the related party operating lease right-of-use assets were approximately $5,128,000 and $4,235,000, respectively, and related party operating lease liabilities were $5,503,000 and $4,311,000, respectively.

See Note 6 for information on the related party sellers holdback liability.

15. Summary of Franchised and Company-Owned Outlets

The following is a summary of changes in the number of franchised and company-owned outlets during calendar year 2024 and 2023:

	Franchisees	Company-Owned Outlets	Total
Total, January 1, 2023	53	21	74
Opened	7	-	7
Terminations/ceased operations	(4)	(2)	(6)
Reacquired by franchisor	(1)	1	-
Total, December 31, 2023	55	20	75
Opened	6	1	7
Terminations/ceased operations	(3)	-	(3)
Reacquired by franchisor	(1)	1	-
Total, December 31, 2024	**57**	**22**	**79**

16. Subsequent Events

The Company has evaluated subsequent events through March 31, 2025, which is the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

EXHIBIT D

CURRENT FRANCHISEE CONTACT INFORMATION

ZEROREZ FRANCHISEE LOCATIONS			
NAME	**ADDRESS**	**STATE**	**TELEPHONE NUMBER**
Zerorez of Huntsville **ZeroHolding, LLC**	2511 Hall Ave. Huntsville, AL 35805	Alabama	256-430-4040
Zerorez of Northern Arizona **Oak Creek Ranch Cleaning LLC**	1450 N. Page Springs Rd. Cornville, AZ 86325	Arizona	928-432-6999
Zerorez of Tucson **Zerorez of Tucson, LLC**	1870 W Prince Road, Bldg. E, #60 Tucson, AZ 85705	Arizona	520-441-2441
Zerorez San Diego **Aqua Care of San Diego, Inc.**	14055 Kirkham Way #103 Poway, CA 92064	California	858-486-4100
Zerorez of Greater Sacramento **Easy Street Sacramento, LLC**	8173 Belvedere Ave, Ste. B Sacramento, CA 95826	California	916-454-2103
Zerorez Sonoma **Zerorez of the North Bay, Inc.**	1851 Piner Road, Ste. B Santa Rosa, CA 94503	California	707-585-2677
Zerorez Northern Colorado **Zerorez Northern Colorado, LLC**	255 42 Street SW. Loveland, CO 80537	Colorado	970-613-9376
Zerorez Orlando **First Coast Zerorez, LLC**	602 S. Lake Pleasant Rd. Apopka, FL 32703	Florida	407-232-9188
Zerorez Volusia County Daytona	512 Fentress Blvd., Ste. J Daytona, FL 32114	Florida	386-222-0260
Zerorez of Northwest Florida	110 Bailey Dr. Niceville, FL 32578	Florida	850-853-9376
Zerorez of Tampa **Zerorez of Tampa, Inc.**	5817 N. 56th Street North Tampa, FL 33610	Florida	813-345-4178
Zerorez Treasure Coast	8314 Madison Ave, Kansas City, MO 64114	Florida	913-633-9409

ZEROREZ FRANCHISEE LOCATIONS			
NAME	**ADDRESS**	**STATE**	**TELEPHONE NUMBER**
Zerorez Palm Beach	3214 Tuscany Way Boynton Beach, FL 33435	Florida	954-551-4546
Zerorez Atlanta **Zerorez of Atlanta One, Inc.**	6145 Northbelt Pkwy. NW, Ste. A Norcross, GA 30071	Georgia	770-242-1313
Zerorez Augusta	6145 Northbelt Parkway NW, Ste A Norcross, GA 30071	Georgia	770-242-1313
Zerorez of Savannah	3 Wolf Creek Cove Bluffton, SC 29910	Georgia	843-226-0637
Zerorez Boise **Zerorez Boise, LLC**	272 N. Maple Grove Rd. Boise, ID 83704	Idaho	208-383-1000
Zerorez Idaho Falls	1626 Hollipark Dr. Idaho Falls, ID 83401	Idaho	208-383-1000
Zerorez Twin Falls	2263 E 4195 North Filer, ID 83328	Idaho	208-420-9382
Zerorez Chicagoland	3735 Nicanoa Lane Naperville, IL 60564	Illinois	630-839-9339
Zerorez Des Moines **Zerorez Iowa, LLC**	1975 NW 92nd Court, Ste. 1 Clive, IA 50325	Iowa	515-327-9000
Zerorez Wichita	9020 Liberty Run Rd, Guthrie OK 73044	Kansas	405-830-9189
Zerorez Louisville	2028 Kentucky 53, Ste. 3327 La Grange, KY 40031	Kentucky	502-909-3990
Zerorez Lexington	6145 Northbelt Parkway NW, Ste A Norcross, GA	Kentucky	770-242-1313
Zerorez Grand Rapids **C&C Green Clean Company, LLC**	6696 Edgefield Portage, MI 49024	Michigan	616-288-4644
Zerorez of Southern Minnesota	11345 Wild Heron Point, Eden Prairie, Minnesota 55347	Minnesota	952-261-8090

ZEROREZ FRANCHISEE LOCATIONS			
NAME	**ADDRESS**	**STATE**	**TELEPHONE NUMBER**
Zerorez of Kansas City **Zerorez Kansas City, LLC**	1221 W. 103rd St., Ste. 198 Kansas City, MO 64114	Missouri	816-425-3655
Zerorez of Omaha **OM Group, LLC**	10533 Chandler Rd., Ste. 105 La Vista, NE 68128	Nebraska	402-933-1988
Zerorez Las Vegas **Zerorez Las Vegas, LLC**	7540 Dean Martin Dr., Ste. 503 Las Vegas, NV 89139	Nevada	702-567-0016
Zerorez Long Island **Steam Away, LLC**	8 Jeffery Road Oakdale, NY 11769	New York	631-682-1251
Zerorez Asheville	1514 Asheville Springs Cir. Asheville, NC 28806	North Carolina	826-209-7000
Zerorez Fargo **Zerorez Fargo ND, LLC**	47421 Delight Drive Frazee, MN 56544	North Dakota	701-566-8827
Zerorez Cincinnati **Zerorez of Cincinnati, Inc.**	11711 Princeton Pike, Ste. 341-140 Cincinnati, OH 45246	Ohio	513-845-0151
Zerorez Oklahoma City **ZeroHolding, LLC**	14320 N. Lincoln Blvd., Ste. 418 Edmund, OK 73013	Oklahoma	405-606-7030
Zerorez of Portland	2168 SE Steele St. Portland, OR 97202	Oregon	503-946-6955
Zerorez Eugene	1090 Bailey Hill Rd, Unit D, Eugene OR 97042	Oregon	412-713-9012
Zerorez Salem	63731 Foghorn Dr Coos Bay OR 97420	Oregon	541-982-4599
Zerorez Pottstown	75 C Industrial Parkway Pottstown, PA 19464	Pennsylvania	610-496-7779
Zerorez Charleston	116 Pidgeon Bay Rd Unit D, Summerville SC 29483	South Carolina	404-423-9527
Zerorez Greenville **Zerorez of Greenville, LLC**	2001 Perimeter Rd., Ste. A Greenville, SC 29650	South Carolina	864-558-7300
Zerorez of Columbia **Zerorez of Columbia, LLC**	100 Old Cherokee Rd., Ste. 336 Lexington, SC 29072	South Carolina	803-262-4020

ZEROREZ FRANCHISEE LOCATIONS			
NAME	**ADDRESS**	**STATE**	**TELEPHONE NUMBER**
Zerorez Hilton Head	3 Wolf Creek Cove Blufftown, SC 29910	South Carolina	843-371-1472
Zerorez Chattanooga **Zerorez of Chattanooga, Inc.**	50 Frazier Ac, Suite 300-A Chattanooga, TN 37405	Tennessee	770-242-1313
Zerorez Knoxville	5923 Kingston Pike, Ste. 201 Knoxville, TN 37919	Tennessee	865-816-5250
Zerorez Nashville **ZeroHolding, LLC**	604 Airpark Center Dr. Nashville, TN 37217	Tennessee	615-535-9376
Zerorez Johnson City	6145 Northbelt Parkway NW, Ste A Norcross, GA	Tennessee	770-242-1313
Zerorez Houston **Zerorez – Houston, LLC**	6529 Cunningham Rd., Ste. 2205 Houston, TX 77041	Texas	281-305-4804
Zerorez of Austin **OWO, LLC**	1011 S. Heatherwilde Blvd., Ste. 230 Pflugerville, TX 78660	Texas	512-290-9990
Zerorez San Antonio **Riverwalk Holdings, LLC**	10415 Perrin Beitel Rd., Ste. 103 San Antonio, TX 78217	Texas	726-666-0440
Zerorez Corpus Christi	410 Broadmoor Ln Ovilla, TX 75154	Texas	909-300-3769
Zerorez Davis Weber **Zerorez of Davis Weber, LLC**	803 N. 1250 W., Ste. 5 Centerville, UT 84014	Utah	801-295-7400
Zerorez Cache Valley **Cache Valley, LLC**	5355 W. 16800 N. Garland, UT 84312	Utah	435-554-1050
Zerorez of St. George **Ventures in Partnership, LLC**	1411 E. Ridge St., Unit 1 St. George, UT 84780	Utah	435-215-1175
Zerorez Wasatch Back	570 East 2950 North, Provo, UT 84604	Utah	385-224-5599
Zerorez of DC Metro **Ashburn Service Associates, LLC**	23590 Overland Dr., Ste. 140 Sterling, VA 20166	Virginia	703-382-1221

ZEROREZ FRANCHISEE LOCATIONS			
NAME	**ADDRESS**	**STATE**	**TELEPHONE NUMBER**
Zerorez Tri-Cities T450N, LLC	1355 Dakota Ave. Richland, WA 99352	Washington	509-582-9000
Zerorez Bellevue #1	909 5th Ave. NE Ephrata, WA 98823	Washington	509-436-0890
Zerorez Bellevue #2	909 5th Ave. NE Ephrata, WA 98823	Washington	509-436-0890
Zerorez of Central Washington	1105 Sunset St. Ephrata, WA 98823	Washington	509-888-5885
Zerorez Madison **Zerorez Madison, LLC**	1155 Clarity St., #205 Verona, WI 53593	Wisconsin	608-848-9000

The following franchisees signed a franchise agreement in 2025 or earlier but were not open for business as of December 31, 2025:

ZEROREZ UNOPENED FRANCHISEE LOCATIONS			
NAME	**ADDRESS**	**STATE**	**TELEPHONE NUMBER**
Zerorez Waukesha	8173 Belvedere Ave, Ste. B Sacramento, CA 95826	Wisconsin	916-454-2103
Zerorez Cape Cod	212 Lothrop Ave Harwich, MA 02645	Massachusetts	774-209-1371
Zerorez Maple Valley	7629 S 1St Street Tacoma, WA 98408	Washington	206-979-8096

No franchisee transferred ownership of its franchise to us in 2025.

The following franchisees were terminated, ceased operations or transferred their franchises during 2025:

NAME	CITY, STATE	TELEPHONE NUMBER
Phillip Casteel	Lubbock, Texas	806-778-6163
Rob Fraser	Myrtle Beach, South Carolina	509-279-5128
Rob Fraser	Charleston, South Carolina	509-279-5128

Bob Shennum	Puget Sound, Washington	801-472-5232
Bob Shennum	Central Oregon	801-472-5232
John Truex	Wichita, Kansas	515-537-9192
Tyler Hamberg	Moses Lake, Washington	509-436-0890

EXHIBIT E

GUARANTEE OF PERFORMANCE

GUARANTEE OF PERFORMANCE

For value received, Zerorez, Inc., a Delaware corporation (the "Guarantor"), located at 772 East Utah Valley Drive, Suite 120, American Fork, UT 84003, absolutely and unconditionally guarantees to assume the duties and obligations of Zerorez Franchising Systems, Inc., located at 772 East Utah Valley Drive, Suite 120, American Fork, UT 84003 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2026 Franchise Disclosure Document, 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 first occurs. 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 American Fork, Utah, on the 31st day of March 2026.

Guarantor:

By: _____
Name: Shawn D. Moon
Title: Chief Executive Officer

EXHIBIT F

STATE-SPECIFIC ADDENDA

CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

ZEROREZ FRANCHISING SYSTEMS, INC.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its preopening obligations and the franchisee is open for business.

2. No person identified in **Item 2** of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A 78a *et seq*., suspending or expelling such person from membership in such association or exchange.

3. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq*.).

5. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California Law.

6. The Franchise Agreement requires dispute resolution by arbitration in Salt Lake County, Utah, with the costs being borne by the non-prevailing party. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

7. The Franchise Agreement requires application of the laws of the State of Utah. This provision may not be enforceable under California law.

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

9. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

10. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the franchise Disclosure Document. Section 31125 of the Franchise Investment Law requires us to give to you a Disclosure Document approved by the Commission of the Department of Financial Protection and Innovation before we ask you to consider a material modification of your franchise agreement.

11. California's Franchise Investment Law (Corporations Code Sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

12. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

13. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

14. **Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**

15. 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.

IN WITNESS WHEREOF, the parties have executed this Addendum to be effective as of the date set forth below:

Date: _____

ZEROREZ:	**FRANCHISEE:**
Zerorez Franchising Systems, Inc.	Name of Franchisee: _____
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

HAWAII ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. THIS FRANCHISE HAS 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.

2. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, 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, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

3. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

4. PAYMENT OF THE FRANCHISE FEE AND TERRITORY FEE IDENTIFIED IN ITEM 5 OF THE DISCLOSURE DOCUMENT ARE DEFERRED UNTIL WE HAVE MET OUR PRE-OPENING OBLIGATIONS AND UNTIL YOU ARE OPEN FOR BUSINESS.

HAWAII ADDENDUM TO THE FRANCHISE AGREEMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

This Addendum ("**Addendum**") is effective as of _____, 20___ to that certain Franchise Agreement dated _____, 20___ ("**Agreement**") by and between Zerorez Franchising Systems, Inc., a Delaware corporation ("**Zerorez**"), and _____ ("**Franchisee**"). Notwithstanding any provisions in the Agreement, Zerorez and Franchisee hereby agree to the following:

1. The following is added to Section 2.1 of the Agreement:

   Payment of the Initial Franchise Fee is deferred until we have met our pre-opening obligations and until you are open for business.

2. The following is added to Section 2.2 of the Agreement:

   Payment of the Zr Ware Startup Fee is deferred until we have met our pre-opening obligations and until you are open for business.

IN WITNESS WHEREOF, the Parties have executed this Addendum to be effective as of the date set forth below:

Date: _____

ZEROREZ:	**FRANCHISEE:**
Zerorez Franchising Systems, Inc.	Name of Franchisee: _____
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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
ZEROREZ FRANCHISING SYSTEMS, INC.

This Addendum ("**Addendum**") is effective as of _____, 20___ to that certain Franchise Agreement dated _____, 20___ ("**Agreement**") by and between Zerorez Franchising Systems, Inc. a Delaware corporation and the franchisee set forth in the Agreement. Notwithstanding any provisions in the Agreement, the Parties hereby agree to the following:

1. Illinois law governs the Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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.

IN WITNESS WHEREOF, the Parties have executed this Addendum to be effective as of the date set forth below:

Date: _____

Zerorez Franchising Systems, Inc.	Name of Franchisee: _____
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

Item 5:

Based upon the franchisor's financial condition, 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 and the outlet is opened.

Item 7:

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 *et seq*.).

The general release required as a condition of renewal, relocation, sale and/or assignment/transfer shall not apply to any liability 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 your franchise.

Item 17 (u), (v):

Notwithstanding anything to the contrary in the franchise agreement, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

This Addendum ("**Addendum**") is effective as of _____, 20___ to that certain Franchise Agreement dated _____, 20___ ("**Agreement**") by and between Zerorez Franchising Systems, Inc., a Delaware corporation ("**Zerorez**"), and _____ ("**Franchisee**"). Notwithstanding any provisions in the Agreement, Zerorez and Franchisee hereby agree to the following:

1. The following is added to Section 2.1 and Section 2.2 of the Agreement:

   Based upon Zerorez's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by Franchisee shall be deferred until Zerorez completes its pre-opening obligations under the Agreement and the outlet is opened.

2. Section 12.3 of the Agreement is amended to add the following:

   Any release required as a condition of renewal, relocation, transfer, assignment or sale will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 15.10 of the Agreement is amended to add the following:

   Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of your franchise business.

   Notwithstanding anything to the contrary in this Agreement, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section 15.11 of the Agreement is amended to add the following:

   This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties have executed this Addendum to be effective as of the date set forth below:

Date: _____

ZEROREZ:	**FRANCHISEE:**
Zerorez Franchising Systems, Inc.	Name of Franchisee: _____
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT ZEROREZ FRANCHISING SYSTEMS, INC.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. With respect to the franchises governed by Minnesota law, the franchisor will comply with Minnesota Statute Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

3. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

4. You must sign a general release if you transfer your franchise. Minnesota Rules 2860.4400(D) voids this general release.

5. With respect to the franchises governed by Minnesota law, any limitations of claims must comply with Minnesota Statutes Section 80C.17, Subd. 5.

6. Items 5 and 7 are amended to state the following:

We defer the collection of all initial fees from Minnesota franchisees until we have completed all our pre-opening obligations and you are open for business.

7. No statement, questionnaire, or acknowledgement 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 with the franchise.

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

This Addendum ("**Addendum**") is effective as of _____, 20___ to that certain Franchise Agreement dated _____, 20___ ("**Agreement**") by and between Zerorez Franchising Systems, Inc., a Delaware corporation ("**Zerorez**"), and _____ ("**Franchisee**"). Notwithstanding any provisions in the Agreement, Zerorez and Franchisee hereby agree to the following:

1. **Release**. Minnesota Rule 2860.4400D prohibits Zerorez from requiring Franchisee to consent to a general release. The Agreement is modified accordingly, to the extent required by Minnesota law.

2. **Dispute Resolution**. The Agreement is amended, to the extent required under Minnesota law, to comply with Minn. Statutes, Sec. 80C.21 and Minn. Rule Part 2860.4400J, which may prohibit Zerorez from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement can abrogate or reduce (1) any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. **Notice**. With respect to the franchises governed by Minnesota law, Zerorez will comply with Minnesota Statute Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

4. **Indemnification for Use of Trademark**. Zerorez will protect Franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect Franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

5. **Limitation of Claims**. With respect to the franchises governed by Minnesota law, any limitations of claims must comply with Minnesota Statutes Section 80C.17, Subd. 5.

6. **Injunctive Relief**. Franchisee cannot consent to Zerorez obtaining injunctive relief. Zerorez may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

7. **Fee Deferral**. Zerorez defers the collection of all initial fees from Franchisee until Zerorez has completed all its pre-opening obligations and Franchisee is open for business.

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.

IN WITNESS WHEREOF, the Parties have executed this Addendum to be effective as of the date set forth below:

Date: _____

ZEROREZ:	**FRANCHISEE:**
Zerorez Franchising Systems, Inc.	Name of Franchisee
_____	_____
Name: _____	Name: _____
Title: _____	Title: _____

NEW YORK ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. The franchisor has represented the following:

   (i) that no portion of the initial franchise fee has been allocated to the trademark or intellectual property;
   (ii) that the initial franchise fee consists only of payments of initial training and opening services, which are distinct from and not brand or trademark related to the franchisor; and
   (iii) that only the royalty fee is related to the trademark and intellectual property.

2. The following information is added to the cover page of the Franchise Disclosure Document:

   INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

3. The following is added at the end of Item 3:

   Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

   A. No such party has 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.

   B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of any franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

> However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

5. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

> You may terminate the agreement on any grounds available by law.

6. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

> The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

7. Franchise Questionnaires and Acknowledgements--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. Receipts—Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

As a supplement to the information disclosed in this Disclosure Document, the following additional paragraphs are added:

1. Covenants not to compete are generally considered unenforceable in North Dakota and all covenants restricting competition in the Franchise Agreement are subject to NDCC Section 9-08-06.

2. The franchise agreement provides that the parties must agree to arbitrate disputes in the State of Utah. These provisions may not be enforceable under North Dakota Law and the site of any arbitration or mediation must be agreeable to all parties and you may not be required to agree to a location remote from your place of business.

3. The franchise agreement allows you to consent to jurisdiction in the State of Utah. This provision may not be enforceable under North Dakota law.

4. The franchise agreement requires application of the laws of the State of Utah. This provision may not be enforceable under North Dakota law.

5. The franchise agreement requires you to consent to a waiver of exemplary and punitive damages. This provision may not be enforceable under North Dakota law.

6. A general release may be required if you renew or transfer your franchise. No such release relieves us of any liability under the North Dakota Franchise Investment Law.

7. The franchise agreement requires that you consent to a limitation of claims. The statute of limitations under North Dakota law applies.

8. The prevailing party in any enforcement action under the franchise agreement is entitled to recover all costs and expenses including attorney's fees.

9. Item 5. Payment of the franchise fee and territory fee identified in Item 5 of the Disclosure Document are deferred until we have met our pre-opening obligations and until you are open for business.

NORTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

This Addendum ("**Addendum**") is effective as of _____, 20___ to that certain Franchise Agreement dated _____, 20___ ("**Agreement**") by and between Zerorez Franchising Systems, Inc., a Delaware corporation ("**Zerorez**"), and _____ ("**Franchisee**"). Notwithstanding any provisions in the Agreement, Zerorez and Franchisee hereby agree to the following:

1. The following is added to Section 2.1 of the Agreement:

   Payment of the Initial Franchise Fee is deferred until we have met our pre-opening obligations and until you are open for business.

2. The following is added to Section 2.2 of the Agreement:

   Payment of the Zr Ware Startup Fee is deferred until we have met our pre-opening obligations and until you are open for business.

3. Section 15.10 of the Agreement is amended to add the following:

   Notwithstanding anything to the contrary in this Agreement, the foregoing choice of law should not be considered a waiver of any right conferred upon the Zerorez or upon Franchisee under the laws of the State of North Dakota.

4. Section 15.11 of the Agreement is amended to add the following:

   Notwithstanding anything to the contrary in this Agreement, the site of any arbitration or mediation must be agreeable to all parties and you may not be required to agree to a location remote from your place of business.

5. The following sentence is hereby deleted in its entirety from Section 15.11(c):

   Damages recoverable in any action shall be limited to actual damages proved and neither party shall be entitled to recover special, consequential, punitive, or multiplied damages.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Addendum to be effective as of the date set forth below:

Date: _____

ZEROREZ:	**FRANCHISEE:**
Zerorez Franchising Systems, Inc.	Name of Franchisee: _____
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

VIRGINIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

Additional Disclosures.

The following statement is added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

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

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation**. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. **Fee Deferral.** In lieu of an impound of franchise fees, Zerorez will not require or accept the payment of any initial franchise fees until Franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

This Addendum ("**Addendum**") is effective as of _____, 20___ to that certain Franchise Agreement dated _____, 20___ ("**Agreement**") by and between Zerorez Franchising Systems, Inc., a Delaware corporation ("**Zerorez**"), and _____ ("**Franchisee**"). Notwithstanding any provisions in the Agreement, Zerorez and Franchisee hereby agree to the following:

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Agreement and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

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

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the Agreement or related agreements concerning Franchisee's relationship with Zerorez, including in the areas of termination and renewal of the franchise. There may also be court decisions that supersede the Agreement or related agreements concerning your relationship with Zerorez. Agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation**. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by Agreement, Franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the Agreement or related agreements purporting to bind Franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the Agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect Zerorez's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** Franchisee may terminate the Agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in the Agreement or related agreements that permit Zerorez to repurchase Franchisee's business for any reason during the term of the Agreement without Franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the Agreement or related agreements that requires Franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the Agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the Agreement or related agreements stating that Zerorez may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the Agreement or related agreements requiring Franchisee to indemnify, reimburse, defend, or hold harmless Zerorez or other parties is hereby modified such that Franchisee has no obligation to indemnify, reimburse, defend, or hold harmless Zerorez or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the Agreement or related agreements require a franchisee to reimburse Zerorez for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

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15. **Nonsolicitation Agreements.** 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 Agreement or elsewhere are void and unenforceable in Washington.

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19. **Fee Deferral.** In lieu of an impound of franchise fees, Zerorez will not require or accept the payment of any initial franchise fees until Franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

IN WITNESS WHEREOF, the parties have executed this Addendum to be effective as of the date set forth below:

Date: _____

ZEROREZ:	**FRANCHISEE:**
Zerorez Franchising Systems, Inc.	Name of Franchisee: _____
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

WISCONSIN ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
ZEROREZ FRANCHISING SYSTEMS, INC.

The Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and supersedes any provisions contained in the franchise or license agreement that are inconsistent with that Law.

EXHIBIT G

STATE EFFECTIVE DATES

The following states have franchise law that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Dates state below:

State	Effective Date
California	Pending
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.

EXHIBIT H

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If ZEROREZ Franchising Systems, Inc. offers you a franchise, ZEROREZ Franchising Systems, Inc. must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us in connection with the proposed franchise sale. Under Michigan law, if applicable, this period may be 10 business days, which could be longer than 14 calendar days. In addition, under New York law, if applicable, ZEROREZ Franchising Systems, Inc. must provide this Disclosure Document to you at the earlier of your first personal meeting to discuss the franchise or 10 business days before the execution of the franchise of other agreement or the payment of any consideration that relates to the franchise relationship.

If ZEROREZ Franchising Systems, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A. ZEROREZ Franchising Systems, Inc. authorizes the respective state agencies identified on Exhibit A to receive service of process for us in the particular state. Universal Registered Agents, Inc., 300 Creek View Road, Suite 209, Newark, Delaware 19711 is authorized as our agent for service of process where ZEROREZ Franchising Systems, Inc. is formed.

The franchisor is ZEROREZ Franchising Systems, Inc. located at 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003. Its telephone number is (801) 443-1034.

Our franchise sellers involved in this offering and selling the franchise to you are listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement.

Chantelle Lawrence, 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003, (801) 899-5116.

_____

I have received a Disclosure Document with an issuance date of March 31, 2026 that included the following Exhibits:

A. State Administrators
B. Franchise Agreement
C. Financial Statements
D. Franchisee Information
E. Guarantee of Performance
F. State-Specific Addenda
G. State Effective Dates
H. Receipt

Date: _____ Your name (please print): _____

Your signature _____

You should return one copy of the signed receipt either by signing, dating, and mailing it to ZEROREZ Franchising Systems, Inc. at 772 East Utah Valley Drive, Suite 120, American Fork, Utah 84003, or by faxing a copy of the signed receipt to ZEROREZ Franchising Systems, Inc. at (801) 785-0200. You may keep the second copy for your records.

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