



FRANCHISE DISCLOSURE DOCUMENT

ACE DURAFLO SYSTEMS, LLC
A Nevada Limited Liability Company
3122 West Alpine Street
Santa Ana, California 92704

www.aceduraflo.com
www.fixmypipes.com

Franchise Business: The ACE DuraFlo® franchise grants the right to use the ACE DuraFlo® name and our patented and proprietary technology to perform pipe restoration and related services, which we refer to in this Franchise Disclosure Document as the “Authorized Services.”

Total Initial Investment: The total investment necessary to begin operation of an ACE DuraFlo® franchise business for the (i) Residential/Limited Commercial Package is \$102,100 - \$261,075 (if you own an existing plumbing business) or \$146,700 - \$415,075 (if you do not own an existing plumbing business); (ii) mini E™ Package is \$36,515- \$96,400 (same figures whether you own an existing plumbing business or not); and (iii) Drain Repair Package is \$19,100 - \$88,000 (same figures whether you own an existing plumbing business or not). This includes the Initial Fees that must be paid to us or our affiliates which range from \$34,900 - \$42,900 for the Residential/Limited Commercial Package and \$19,900 - \$24,900 for the mini E™ Package.

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 (or such earlier date as required by applicable state law - see State Addenda) 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 the disclosure document in another format, contact ACE DuraFlo Systems, LLC, 3122 West Alpine Street, Santa Ana, California 92704 (telephone: (800) 359-6369; fax: (714) 564-7607; e-mail: info@aceduraflo.com and sales@aceduraflo.com).

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer's Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., 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: June 2, 2022

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits C and 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 B 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 Ace DuraFlo location 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 an Ace DuraFlo franchisee?	Item 20 or Exhibits C and 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 K**.

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, **Exhibit K**. 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 Nevada. 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 Nevada than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Other Risks.** There may be other risks concerning this franchise.

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.

DISCLOSURES REQUIRED BY MICHIGAN LAW

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

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 the 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:
 - (a) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(d) 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 (c).

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.

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

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than \$100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO: Department of the Attorney General, Consumer Protection Division, Antitrust and Franchise Section, PO Box 30213, Lansing, MI 48909; (517) 373-7117.

**ACE DURAFLO SYSTEMS, LLC
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"L"	Automatic Clearinghouse Agreement for Electronic Payments
"M"	Drain Repair Addendum
"N"	General Release
"O"	Receipts

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

A. Terminology.

In this Franchise Disclosure Document, “ADF”, “we”, “us” or “our” means ACE DuraFlo Systems, LLC, a Nevada limited liability company. “You” or “your” means the person who buys the ACE DuraFlo® franchise and enters into a Franchise Agreement with us in the form of **Exhibit A**. If you are a corporation, a limited liability company, or a partnership, certain provisions of the Franchise Agreement will also apply to your officers, directors, partners, LLC managing members, owners who are personal guarantors, and persons whom you identify as a manager and sales manager, as we explain in this Franchise Disclosure Document. For purposes of this Franchise Disclosure Document, we sometimes refer to you as franchisee.

B. The Company, Our Parents, Predecessor and Affiliates.

We do business under the name ACE DuraFlo Systems, LLC and ACE DuraFlo®. We were organized as a Nevada limited liability company on August 24, 1999. Our principal business address is 3122 West Alpine Street, Santa Ana, California 92704. Our telephone number is (800) 359-6369. We disclose our agents for service of process on **Exhibit J**.

Pipe Restoration Technologies, LLC (“PRT”), a Nevada limited liability company organized on August 11, 1998, owns the patented and proprietary rights to the ePIPE® Process. PRT was awarded a patent for the systems and methodologies that are the core of our pipe restoration technology. PRT has granted us an exclusive license to exploit this technology in North America, which we provide to our franchisees.

Until October 15, 2009, PRT was our parent company. Effective on October 15, 2009, PRT became a non-parent affiliate of our company by distributing nearly all of its ownership interest in our company to its members. We and PRT are controlled by the same persons. The ownership change did not affect our exclusive license. PRT’s principal offices are at 10785 W. Twain Ave, Suite 102, Las Vegas, Nevada 89135-7477. PRT has never sold any franchises in any line of business, and it does not itself operate a pipe restoration business. However, PRT also owns all of the common stock of Pipe Restoration, Inc. (“PRI”), a California corporation, with the same principal business as ADS, which owns and operates ACE DuraFlo® franchises in California and the greater Washington DC metro area, as we disclose in on **Exhibit C**.

We currently have no parent company.

We do not have any affiliates that presently offer franchises in another line of business. Other than PRT, we do not have any affiliates that provide products or services to our franchisees.

C. Our Prior Experience.

We have been offering ACE DuraFlo® franchises since November 2001. Although we have never operated a business restoring pipes, since March 2000 our affiliate, ACE EnviroTech, Inc. (“ETI”), with a principal place of business of 3122 West Alpine Street, Santa Ana, California 92704, has operated a pipe restoration business in the United States under the ACE DuraFlo® brand name that is substantially similar to the residential/commercial franchise

that we offer to our franchisees. Neither we nor our affiliates have previously offered franchises for any other type of business.

Apart from the ACE DuraFlo® franchise program, in 2006 we began offering separate ePIPE® franchises to existing plumbers who are members of an existing regional or national chain, which permits the use of our proprietary technology only. We do not offer any type of marketing support to ePIPE® franchisees or collect advertising fees from them, nor do we offer ePIPE® franchisees our optional drain repair solution. These are the primary differences between the ACE DuraFlo® and ePIPE® programs at this time.

At this time, we offer ePIPE® franchises only to eligible franchisees in good standing of the Mr. Rooter and American Leak Detection franchise systems with which we otherwise have no corporate affiliation. In each case, the franchisee to whom we award an ePIPE® franchise would continue to operate under the Mr. Rooter or American Leak Detection brand name, but the franchisee will have the right to offer Authorized Services incorporating the same patented and proprietary technology that we provide to our ACE DuraFlo® franchisees. The ePIPE® license forbids the franchisee from using the ACE DuraFlo® marks other than MODERN PIPE RENOVATION SYSTEM® and ePIPE®. In the future, we may enter into similar licensing arrangements with other plumbing chains.

D. The Franchises That We Offer.

The ACE DuraFlo® patented and proprietary technology is a technical process for cleaning and reconditioning pipelines of various compositions, coating pipelines against corrosion and installing pipelines that have been pre-coated using our patented and proprietary methods. The core procedure involves a drying process, followed by cleaning the pipelines with an abrasive material, blowing the pipelines clean with compressed air, and lining the pipelines with specialized, proprietary epoxies by applying controlled pressure and air. This patented and proprietary technology allows the building owner to have its pipe systems restored in place instead of being repaired in place or removed and replaced. This process minimizes the disruption to the building owner, and may be more cost effective than repairing or replacing worn out, damaged or corroded pipes and may avoid most of the demolition and repair to the building associated with replacing pipes.

The “Franchised Business” that we offer will allow you to identify your business under the ACE DuraFlo® brand name and use our proprietary technology to clean and recondition plumbing pipes of various types (with the exception of fire sprinkler systems) having diameters of up to 2” in three types of applications depending on the package that you buy - mini E™, residential or limited commercial:

“mini E™” applications involve restoration applications to single lines or parts of a piping system up to 1” in diameter in small sections.

“Residential” applications involve single family homes and multi-family (up to 4 units) residential structures with lines from 1” to 2” in diameter.

“Limited commercial” applications involve small commercial structures, like apartment buildings, strip centers, and schools that have no more than 3 stories.

In this Franchise Disclosure Document, we sometimes collectively refer interchangeably to the various services performed in connection with these three types of applications as the

“Authorized Services.” The Authorized Services expressly exclude the reconditioning of fire sprinkler systems in all types of dwellings and applications.

When you apply for a franchise, you will indicate your interest in either the mini E™ or residential/limited commercial package and pay the corresponding Initial Franchise Fee when you sign the Franchise Agreement. If you initially purchase a mini E™ package and we approve your request at a later date to expand the scope of your Authorized Services to include residential/limited commercial services, you must pay us an additional Franchise Fee at that time. However, if you initially purchase the residential/limited commercial package and desire to perform mini E™ applications, you must obtain our prior approval, but no additional Initial Franchise Fee is payable. If we approve your request to expand your Authorized Services, we will amend the Franchise Agreement accordingly.

Depending on your qualifications, as long as the Authorized Services include residential/limited commercial applications, you may request that we expand the scope of the Authorized Services so that you may apply our proprietary technology to pipes in “Commercial” applications, including mid-rise and high-rise office buildings (4 stories and greater), larger school facilities, apartment buildings, condominiums and hotels. We may grant or deny your request to expand the scope of Authorized Services in our sole discretion and may take into account any factors that we believe are most relevant to the scope of work you propose and your qualifications. If we approve your request, we will amend the Franchise Agreement to expand the scope of Authorized Services, but no additional Initial Franchise Fee is payable.

Whether you are currently in the plumbing business and already offering drain repair or are getting into the plumbing business for the first time with the purchase of an ACE DuraFlo® franchise, and whether you initially purchase the mini E™ or the residential/limited commercial package, you may expand the scope of the Authorized Services to include drain pipe and branch pipeline repair by entering into our Drain Repair Addendum (**Exhibit M**), which is an addendum to the Franchise Agreement (**Exhibit A**). No additional Initial Franchise Fee is payable to add drain pipe and branch pipeline repair. Under the Drain Repair Addendum, you must use the specific drain pipe and branch pipeline repair equipment, consumables and related products that we designate, which you must buy from the supplier that we designate. We may modify the list of drain products and change the supplier at any time effective upon written notice. You may terminate the Drain Repair Addendum within 30 days after we notify you of a supplier change. To add drain repair services to your Authorized Services, you must complete additional training at your expense, with the supplier we designate.

While we permit you to perform other types of drain repair services during the term of the Franchise Agreement from other suppliers, under certain circumstances, you must pay us Royalty Fees on your Gross Receipts from other drain repair services. This will occur if you are not already offering drain repair services when you buy the ACE DuraFlo® franchise from us and decide to add drain repair services at a later date. Because the Franchise Agreement allows you to use the ACE DuraFlo® brand name to promote your business generally, your overall ability to sell other types of plumbing services, including non-ACE DuraFlo approved drain repair, benefits from your association with us. Consequently, if you are not already in the drain repair business when you buy the ACE DuraFlo® franchise, and add drain repair services, you will pay us Royalty Fees on your drain repair Gross Receipts to the same extent as you would if you opt into our drain program and sign our Drain Repair Addendum (**Exhibit M**).

Under the franchise that we grant to you, you may not (i) use or sell our proprietary Epoxy except incidental to performing Authorized Services; (ii) market or solicit customers by,

among other activities, placing local advertising in media that circulates or broadcasts outside of your Territory; (iii) market, solicit or advertise for restoration jobs that are outside the scope of the Authorized Services; or (iv) perform Authorized Services outside of your Territory.

Among other benefits, we provide ACE DuraFlo® franchisees with marketing support and the opportunity to participate in any future national account referral program that we may implement.

E. General Market for Your Products and Services and General Description of Your Competition.

The market for our pipe restoration services includes any building with pipe systems having pipe diameters up to 2 inches in diameter and of varying degrees. Houses and other buildings that were built more than 30 years ago with galvanized steel piping, and newer structures that were built with copper piping in areas that present environmental challenges, aggressive water, or particular water treatment challenges, or pipes with faulty installation, are particular targets for our process.

We believe that your principal competition with respect to the Authorized Services that you will offer as part of the ACE DuraFlo® franchise will come from plumbers and others who seek to repair damaged or worn pipes or piping systems without replacing the piping, and from plumbing contractors who would re-pipe some or all of the piping in a building. There are other companies that install epoxy lining in existing pipes.

In addition to the Mr. Rooter-ePIPE licensing program that we described in this Item 1, in the future, we may enter into arrangements with other national or regional plumbing chains allowing them and their franchisees to use our proprietary technology in association with the ePIPE® marks. Because the franchise that we grant to you is non-exclusive, you may also compete with other ePIPE® and ACE DuraFlo® franchisees.

F. Law and Regulations.

Most states have plumbing regulations that regulate this business. The regulations will follow either the Uniform Plumbing Code or regulations of the International Plumbing Code, or other state or local specific codes influenced by these Codes. On a local basis, these regulations are generally contained in housing and building codes. Your state may require that you and others who perform Authorized Services to possess a general contractor's license. You are responsible for verifying what licensing laws exist in your territory regulating persons who perform Authorized Services and for ensuring that you and your employees who perform Authorized Services possess valid licenses.

Numerous local, state and federal laws also will regulate the operation of businesses in general and will apply to your business. Laws of general application include tax regulations, labor laws, business licensing requirements, the American With Disabilities Act, environmental laws and the like. It is your responsibility to become familiar with all laws and regulations that apply to the ACE DuraFlo® business.

G. Your Owner's Obligations.

If you are a business entity, each of your owners who owns 10% or more of the outstanding voting interests of the business entity must sign the personal guaranty (**Exhibit G**)

agreeing to jointly and severally personally guaranty the entity's obligations to us under all contracts that the entity signs with us.

ITEM 2 BUSINESS EXPERIENCE

Larry Gillanders – Operating Member (Chief Executive Officer), Chief Technology Officer and Managing Member:

Mr. Gillanders is a co-founder of our company and PRT. He has been a managing member of ADF (serving in the capacity equivalent to a director of a business corporation and chief executive officer) since August 1999 and has served us in several additional capacities since that time. Through August 2002 Mr. Gillanders was our Chief Operating Officer-Canada. From September 2001 to August 2002 he also served as an Executive Vice President. From August 2002 to February 2003, he was our President and Chief Financial Officer. He was promoted in February 2003 to his current positions with ADF. From June 1999 to the present, Mr. Gillanders has also been a managing member, Co-Chief Executive Officer, and Chief Operating Officer-Canada for PRT and PRI.

Lawrence Soskin – Vice President of Codes and Compliance:

Mr. Soskin currently serves as our Vice President of Codes and Compliance. He joined ADF in February 2002 and has previously served us in the capacity of Executive Vice President. From February 1975 to January 2002, Mr. Soskin was the Chief Plumbing Inspector for the City of Los Angeles Department of Building and Safety, Los Angeles, California.

Dan Koopman – Vice President of Finance:

Mr. Koopman has served as Vice President of Finance for ADF since 2014 in Santa Ana, California. He has also served in the same capacity for PRI since 2014.

Ronald W. Davies – Managing Member:

Mr. Davies was appointed a managing member of ADF in January 2003 (serving in the capacity equivalent to a director of a business corporation). From 1991 until his retirement in 2005, Mr. Davies was Chief Technology Officer of MBNA America Bank N.A., in Wilmington, Delaware. In May 2002 through 2005, he also served as Executive Vice Chairman of that company. In addition, since October 1996 through the present, Mr. Davies has been Chairman and Chief Executive Officer of MBNA Technology, Inc. in Wilmington, Delaware. Mr. Davies is now a management consultant and an owner and director of a number of privately held organizations.

Jason Houck – National Sales Director:

Mr. Houck has served as our National Sales Director in Santa Ana, California, since April 2018. Prior to his tenure at ADF, he was Regional Sales Manager for Monarch Landscape in San Diego, California, from February 2016 to April 2018.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

The Initial Franchise Fee that you pay to us for an ACE DuraFlo® franchise depends on the franchise package that you buy and the population in your Territory:

Package	Initial Franchise Fee for a Territory of up to One Million Population	Additional Initial Franchise Fee per Increment of 250,000 Population in Your Territory
Residential/ Limited Commercial	\$34,900	\$8,000
mini E™	\$19,900	\$5,000

We identify your Territory before you sign the Franchise Agreement. In determining the population in the Territory, we rely on the most recent U.S. census data compiled by the federal Office of Management and Budget or comparable statistical information.

We sold no new franchises in our most recent fiscal year. However, in selling new franchises, our policy is to calculate the Initial Franchise Fee in a uniform manner using this formula.

The Initial Franchise Fee is due in full when you sign the Franchise Agreement and is not refundable.

When you apply for a franchise, you will indicate your interest in either the mini E™ or residential/limited commercial package and pay the corresponding Initial Franchise Fee. If you initially purchase a mini E™ package and later seek our approval to perform residential/limited commercial services, you must pay us the sum of (i) the difference between the then-current Initial Franchise Fee for residential/limited commercial package at the time of your request (which may be higher than \$34,900) and \$19,900 (the Initial Franchise Fee that you paid for the mini E™ package), and (ii) the difference between the then-current incremental Initial Franchise Fee for population over 1 Million for the residential/limited commercial package (measuring population on the date you and we enter into the Franchise Agreement originally) and \$5,000. Example: under the current Initial Franchise Fee schedule, the additional Initial Franchise Fee to add the residential/limited commercial package would be (i) \$15,000 (\$34,900 minus \$19,900), plus (ii) \$3,000 (\$8,000 minus \$5,000) per increment of 250,000 population in your Territory. If you initially purchase the residential/limited commercial package and later seek our approval to perform mini E™ applications, no additional Initial Franchise Fee is payable. If we approve your request to buy an additional package, we will amend the Franchise Agreement to expand the scope of Authorized Services accordingly.

In addition to the Initial Franchise Fee, before you begin in business you will buy an equipment package and initial supply of Epoxy from us. The equipment package includes an Epoxy mixer, air distribution header, sander, filters and air dryers (residential/limited commercial package only). The cost of the package, excluding tax and shipping, depends on the particular application. As of the effective date of this Disclosure Document, these costs are as follows:

Package	Low/High Estimate for Equipment	Low/High Estimate For Initial Supply for Epoxy
Residential/ Limited Commercial	\$35,000 - \$72,000	\$400 - \$4,000
mini E™	\$4,500 – \$10,000	\$115 - \$690

You must place your order for the equipment package within the two-week period beginning on the date that you (or your principal owner or designated Manager) complete the one-week (5 days) Initial Training Program and must take delivery of the equipment before you begin performing Authorized Services. When you place your order, you must remit payment of 20% of the cost of the equipment, and pay the balance before we ship the equipment. All payments are non-refundable.

You place and pay for your initial order of Epoxy when you order the equipment package. Payments for Epoxy are non-refundable. The above range is only for the initial order of Epoxy and does not reflect our estimate of your low/high costs for Epoxy during the first three months that you are in business, which we show in the initial investment chart in Item 7.

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**ITEM 6
OTHER FEES**

OTHER FEES			
Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty	8% of Gross Receipts up to \$1 million, and 6% on additional Gross Receipts (Notes 2, 3 and 4)	Weekly, on or before Wednesday of each week for the 7 day Monday-Sunday period before payment	Gross Receipts include revenues from the sale of products or services in connection with the performance of Authorized Services, including (without limitation) revenues from the replacement of tub and shower valves, angle stops and supply lines, and any other revenues as a result of the application of Epoxy, use of equipment purchased or leased from Company/Franchisor to operate the Franchised Business, drain repair services if you sign our Drain Repair Addendum (Exhibit M), or use of the Names and Marks. We may require payment by electronic funds transfer. See Exhibit L .
Advertising Contribution	1.5% of Gross Receipts (Notes 2, 3 and 4)	At the same time, and for the same period, as Royalty Fees	
Additional Training (Note 5)	Up to \$500/person to attend our one-week Initial Training Program, and up to \$1,500/day for us to provide field training	Upon receipt of an invoice	We do not charge any training fee to provide our one-week initial training course to up to 6 persons whom you enroll during the term by mutual arrangement, or to provide field training in connection with your first 2 residential jobs if you complete field training within 60 days after you complete the Initial Training Program. See Note 6 for current training fees payable to the supplier we designate if you choose to offer drain repair services.
Late Charges	\$25, plus interest on unpaid balances at the lesser of 1.5% per month or the maximum rate permitted by applicable law	Immediately after notice from us	This fee is only due when you do not timely pay fees that you owe us.
Transfer Fee (Note 7)	40% of our then current Initial Franchise Fee at the time you ask for our consent to the transfer, or if we are not selling new franchises at the time, 40% of our last Initial Franchise Fee. For Qualified Transfers, you pay a transfer fee of \$1,500/franchise.	Before completing a transfer of the franchise	This fee is due when you apply for our consent to complete an Event of Transfer under the Franchise Agreement. The Franchise Agreement defines what events constitute a "transfer" and what constitutes a "Qualified Transfer."

OTHER FEES			
Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Renewal Fee	\$1,000	Within 30 days after we deliver the agreements to you to renew your franchise	This fee is only due if you decide to renew your franchise.
Audit Expenses	Cost of audit	Immediately after notice from us	Payable only if you understate your Gross Receipts by 2% or more.
Service Charge for Insurance	The cost of purchasing replacement insurance plus 25%.	Upon receipt of invoice	The service charge is only payable if you fail to carry the insurance we require and if we decide to purchase the insurance coverage for you. We have no obligation to obtain coverage for you, however, and may terminate the Franchise Agreement because of your breach. See Note 8.
National Accounts Referral Program	Up to 5% of Gross Receipts	At the same time, and for the same period, as Royalty Fees	If we implement a national accounts referral program, it will be optional. If you elect to participate, you will pay a National Accounts Referral Fee, in addition to the Royalty Fee, on the Gross Receipts from any national account that we refer to you.
Costs and Attorneys' Fees	Will vary under circumstances	Immediately after notice from us	If we are successful in any judicial or arbitration action that we bring against you or you bring against us.
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us if we are sued or held liable for claims arising out of your operations.
Epoxy and replacement equipment (ongoing as needed)	According to our current prices	As needed	We may increase our prices at any time. New prices will apply to orders placed after the effective date of the price increase. We publish prices in the Confidential Manuals and may notify you of price increases through a system-wide internet or by email announcements.

1. At this time, we impose continuing fees in a uniform manner. However, we retain discretion to reduce fees in individual cases in our discretion. Unless otherwise stated, all fees are paid to us and are nonrefundable.

2. We do not suggest or represent that your business will reach any particular level of Gross Receipts. However, if the cumulative Gross Receipts of your ACE DuraFlo® business over the term of the Franchise Agreement exceed \$1 million, we reduce the percentage rate of Royalty Fees for the balance of the term to 6% of your Gross Receipts over \$1 Million.

3. We permit you to perform other types of drain repair services during the term of the Franchise Agreement besides the program that we offer. However, under certain circumstances, you must pay us Royalty Fees on your Gross Receipts from non ACE DuraFlo approved drain repair services. This will occur if you are not already offering drain repair services when you buy the ACE DuraFlo® franchise from us and decide to add drain repair services at a later date.

4. If your state, or any governmental body in your state, charges a tax on the Royalty Fees that we receive from you, then you must also pay us, as an additional Royalty Fee, the amount

of this tax. This does not apply to any federal or state income taxes that we must pay on the Royalty Fees that we receive from you.

5. We may also conduct an annual meeting or require you or designated personnel to complete additional training. (See Franchise Agreement - Sections 7.03, 7.04). We will not require that more than 2 persons complete mandatory additional training exceeding 2 days in any 12 month period. Nor will we require that more than 2 persons attend an annual meeting in any 12 month period exceeding 3 days in duration. We may charge additional training fees for additional mandatory training not to exceed \$500/person in any 12 month period. We may charge a registration fee for the annual meeting not to exceed \$500/person. You are responsible for all travel, living and salary expenses for your personnel in connection with attending additional training or the annual meeting. We intend to conduct additional training and the annual meeting (if we hold one) at locations in the United States.

6. Before you may offer drain repair services, you must complete a one-day training course which may be provided in your Territory. You must pay the approved drain supplier a training fee, currently \$750/day, plus \$500/day to cover the trainer's travel time and expenses regardless of actual travel distance. You should estimate paying for two days of travel. If you choose to add drain repair services later, we cannot estimate at this time what the training fees and costs may be.

7. The Transfer Fee is 40% of our then current Initial Franchise Fee, depending on the type of application that you own at the time of renewal. If we are not selling new ACE DuraFlo® franchises at the time you transfer your franchise, the fee will be 40% of our last Initial Franchise Fee.

8. We identify the types and minimum insurance coverage that you must carry, including minimum deductible limits. See Article XV of the Franchise Agreement.

9. You must pay us the amount of any state or local sales, use, gross receipts, or similar tax that the state or local government authority imposes on fees which you pay to us under the Franchise Agreement, without offset or deduction of any kind. Your obligation to reimburse us for these taxes does not extend to income-type taxes which a state or local government imposes on our income.

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ITEM 7
YOUR ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT					
RESIDENTIAL & LIMITED COMMERCIAL PACKAGE					
Column 1 Type of Expenditure (Note 1)	Column 2 Amount - Existing Plumbing Business (Note 2)	Column 3 Amount - New Business (Note 2)	Column 4 Method of Payment	Column 5 When Due	Column 6 To Whom Payment is to Be Made
Initial Franchise Fee	\$34,900	\$34,900	Lump Sum	Upon signing Franchise Agreement	ADF
Real Property and Fixtures (Note 3)	\$0	\$2,500 - \$15,000			Landlord
Compressor	\$15,000 - \$50,975	\$15,000 - \$50,975	As Ordered	Before opening	Supplier
Equipment Package (Note 4)	\$35,000 - \$72,000	\$35,000 - \$72,000	20% down, balance on delivery	Before Opening	ADF
Plumbing Tools, Supplies and Epoxy (Note 5)	\$400 - \$7,000	\$10,000 - \$13,000	As Ordered	Before Opening	ADF
Vehicle (Note 6)	\$0 - \$50,000	\$0 - \$50,000	As Ordered	Before Opening	Suppliers
Signage (Note 7)	\$2,300 - \$4,200	\$2,300 - \$4,200	As Ordered	Before Opening	Suppliers
Misc. Opening Costs, including Travel and Living Expenses While Training (Note 8)	\$12,000 - \$17,000	\$12,000 - \$25,000	As Incurred	Before and After Opening	Suppliers and ADF
Additional Funds - Three Months (Note 9)	\$2,500 - \$25,000	\$35,000 - \$150,000	As Incurred	As Incurred	Various Parties, Including Employees
Total (Note 10)	\$102,100 - 261,075	\$146,700 - \$415,075			

YOUR ESTIMATED INITIAL INVESTMENT					
mini E™ PACKAGE					
Column 1 Type of Expenditure (Note 1)	Column 2 Amount - Existing Plumbing Business (Note 2)	Column 3 Amount - New Business (Note 2)	Column 4 Method of Payment	Column 5 When Due	Column 6 To Whom Payment is to Be Made
Initial Franchise Fee	\$19,900	\$19,900	Lump Sum	Upon signing Franchise Agreement	ADF
Real Property and Fixtures (Note 3)	\$0	\$0			Landlord

YOUR ESTIMATED INITIAL INVESTMENT					
mini E™ PACKAGE					
Column 1 Type of Expenditure (Note 1)	Column 2 Amount - Existing Plumbing Business (Note 2)	Column 3 Amount - New Business (Note 2)	Column 4 Method of Payment	Column 5 When Due	Column 6 To Whom Payment is to Be Made
Compressor	\$8,000 - \$20,000	\$8,000 - \$20,000	As Ordered	Before Opening	Supplier
Equipment Package (Note 4)	\$4,500 – \$10,000	\$4,500 - \$10,000	20% down, balance on delivery	Before Opening	ADF
Plumbing Tools, Supplies and Epoxy (Note 5)	\$115 – \$3,000	\$115 - \$3,000	As Ordered	Before Opening	ADF
Vehicle (Note 6)	\$0 - \$30,000	\$0 - \$30,000	As Ordered	Before Opening	Suppliers
Signage (Note 7)	\$500 - \$1,000	\$500 - \$1,000	As Ordered	Before Opening	Suppliers
Misc. Opening Costs, including Travel and Living Expenses While Training (Note 8)	\$2,000 - \$5,000	\$2,000 - \$5,000	As Incurred	Before and After Opening	Suppliers and ADF
Additional Funds - Three Months (Note 9)	\$1,500 - \$7,500	\$1,500 - \$7,500	As Incurred	As Incurred	Various Parties, Including Employees
Total (Note 10)	\$36,515 - \$96,400	\$36,515 - \$96,400			

YOUR ESTIMATED INITIAL INVESTMENT					
DRAIN REPAIR – OPTIONAL PACKAGE					
Column 1 Type of Expenditure (Note 1)	Column 2 Amount - Existing Plumbing Business (Note 2)	Column 3 Amount - New Business (Note 2)	Column 4 Method of Payment	Column 5 When Due	Column 6 To Whom Payment is to Be Made
Equipment (Note 4)	\$13,600-\$70,500	\$13,600 - \$70,500	As ordered	Before Opening	Authorized Drain Supplier
Plumbing Tools, Supplies (Note 5)	\$2,000 - \$5,000	\$2,000 - \$5,000	As ordered	Before Opening	Authorized Drain Supplier
Training (Note 8)	\$2,000 - \$5,000	\$2,000 - \$5,000	As incurred		Authorized Drain Supplier
Additional Funds - Three Months (Note 9)	\$1,500- \$7,500	\$ 1,500- \$7,500	As incurred	As Incurred	Various Parties, Including Employees
Total (Note 10)	\$19,100 - \$88,000	\$19,100 - \$88,000			

Item 7 explains the estimated initial investment to open and begin performing Authorized Services according to the specific package that you purchase. These charts show the initial investment during the initial period of operations, which is the period beginning when you sign the Franchise Agreement and continuing through the end of the first 3 months after you begin marketing and performing Authorized Services. The initial investment will differ depending on whether you are an existing plumbing business or not. For that reason, our charts include separate columns for franchisees that own an existing plumbing business and franchisees that do not. The initial period is not our estimate of the time that we believe it should take your business to “break-even.”

These charts assume that during the initial period of operations, you will perform either the mini E™ application or the residential/limited commercial application, depending on the package that you initially purchase, but that you will not perform both types of applications during the initial period. The drain repair package is optional. We show the initial investment costs in this Item 7. There is no obligation to add drain repair services during the first 3 months of operation or at any later time during the term of the Franchise Agreement.

If you purchase a residential/limited commercial package and obtain our permission during the initial period to also perform mini E™ applications, you would not pay us a separate Initial Franchise Fee of \$19,900. However, you may incur additional expenses during the initial period of approximately \$14,290 to \$71,500 above the amounts shown in the residential/limited commercial chart for the additional items of equipment, tools, supplies and Epoxy required to perform mini E™ applications.

If you purchase a mini E™ package and obtain our permission to perform residential/limited commercial applications during the initial period, you would have pay to us an additional \$15,000 Initial Franchise Fee representing the difference between the Initial Franchise Fee for the residential/limited commercial application package and the mini E™ package. You may also incur additional expenses during the initial period of approximately \$76,545 to \$221,100 above the amounts shown in the mini E™ initial investment chart for the additional items of equipment, tools, supplies and Epoxy required to perform residential/limited commercial applications. Depending on your individual circumstances and whether you are an existing plumbing business, you may realize greater economies of scale than we forecast if you add the mini E™ or residential/limited commercial package during the initial period of operations. It is difficult for us to estimate the potential economies of scale. For this reason, in this Item 7, we present the initial investment expenses for the mini E™ and the residential/limited commercial packages separately.

The Item 7 chart is accompanied by detailed notes that explain each expense category and the variables that influence the low and high initial investment estimates. The notes are an integral part of Item 7.

NOTE 1: None of these payments are refundable unless you negotiate payment terms with a third party.

NOTE 2: In order to add our drain repair services, you must purchase either a residential/limited commercial or mini E™ equipment package.

NOTE 3: In most cases, we expect our franchisees will already own and be operating an existing plumbing business and will operate the Ace DuraFlo® franchised business from the same offices that they use for their plumbing business. If you do that, we do not expect you to

incur any additional costs for real property and fixtures in beginning to perform Authorized Services under the Ace DuraFlo® franchise. We have no minimum requirements for your office space. If you do not have a suitable existing business office, we allow you 90 days after you sign the Franchise Agreement to obtain our approval of the street address of your business office and be ready to receive and conduct business there. Our estimate for this category for a new business assumes that you lease office space at a cost of \$1,200 to \$2,000 per month and pay a security deposit equal to two months' rent. We also assume you will spend up to \$10,000 for fixtures and leasehold improvements for a new business.

NOTE 4: We disclose in Item 5 the cost of the equipment that you will purchase from us in order to perform mini E™ and residential/limited commercial applications, excluding tax and shipping. The shipping point of origin is Santa Ana, California. If you choose to add drain repair to your Authorized Services, you will purchase equipment and supplies directly from our authorized drain supplier.

NOTE 5: If you are already in the plumbing business, you may not have to buy any additional plumbing tools to perform Authorized Services. We estimate that the cost of plumbing supplies to perform Authorized Services during the initial period of operations (first 3 months).

You will also need to buy Epoxy kits from us in order to perform mini E™, residential/limited commercial applications. We do not impose an initial minimum order. The Epoxy kits for the main Epoxy mixer which you will use for residential/limited commercial applications presently cost \$400 per kit. When you purchase your initial Epoxy dispenser, we will give you a smaller, hand held Epoxy mixer. The hand held epoxy mixer is part of the mini E™ package. Epoxy cartridges for the hand held mixer presently cost \$115 per kit.

We expect your initial order of Epoxy will cost between \$115-\$690 for the mini E™ application and between \$400-\$4,000 for the residential/limited commercial applications, which you must pay for when you place the initial order. The low and high estimates that we show in the Item 7 chart aggregate costs for plumbing supplies and Epoxy for the first three months that you are in business. The high estimate assumes you also purchase Epoxy for the backup mixer.

NOTE 6: You will need at least one vehicle to operate your business. Our low estimate assumes that you will use an existing service vehicle that you are already using in operating an existing plumbing business. Our high estimate assumes that you purchase a new plumbing truck to perform Authorized Services.

NOTE 7: These figures include exterior signage, and signage for one vehicle. If you have additional vehicles, we estimate that the additional signage costs for each vehicle will range between \$500 and \$2,200.

NOTE 8: This category also includes an estimate for travel and living expenses (i) for you and your personnel to attend the Initial Training Program in Santa Ana, California, before you begin performing Authorized Services, and (ii) that you must reimburse us to send a technician to your Territory to provide field training in connection with your first two residential jobs. Our estimates assume that you complete field training within the first 60 days after you complete the Initial Training Program and, therefore, do not pay any training fees to us for field training.

NOTE 9: The additional funds category covers miscellaneous opening costs, which include security deposits (excluding lease deposit, which we include under the Real Property category), business licenses, attorneys' fees, initial insurance, costs to purchase, lease, maintain or upgrade computer equipment and for Internet access and prepaid expenses. You will not have certain of these opening costs if you already operate an existing plumbing business when you acquire the Ace DuraFlo® franchise. For example, we expect an existing plumbing business will have computer equipment and Internet access. We show aggregate incremental miscellaneous costs to add drain repair services in the separate drain repair chart. These incremental miscellaneous costs, which include the cost for training, are specific to drain repair services. You will only have these costs if you elect to expand your Authorized Services to include drain repair.

NOTE 10: In putting together these estimates, we rely on the experience of our affiliate, ETI and our existing ACE DuraFlo® franchisees. Your actual investment could be different. We do not offer financing for any part of the initial investment. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, your relationship with local banks, and any additional collateral you may offer to a lender to secure the loan. Our estimates do not include any finance charges, interest or debt service obligations or draws or salary to owners.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

A. Equipment for Authorized Services Other than Drain Repair; Epoxy.

The equipment you will need to perform Authorized Services, which consists of a compressor, Epoxy mixer, air distribution header, air dryers (residential/limited commercial package only), sander, pre-filters and filter/dust collectors, must all meet our specifications. You must purchase this equipment from us or from approved suppliers. You may purchase the compressor from any supplier that sells a compressor unit that meets our specifications. While we recommend a third party supplier, but you may apply for approval to purchase the compressor from an alternative supplier pursuant to the procedures described in this Item 8. At this time, we are the exclusive supplier of the other equipment items mentioned in this Section. Additionally, at this time, we are the only approved supplier for the Epoxy.

For our most recent fiscal year ending December 31, 2021, our total sales of goods and services to ACE DuraFlo® franchisees were \$355,118, or approximately 20% of our total revenues of \$1,752,545 in our 2021 fiscal year.

The equipment and initial Epoxy that you must purchase from us or from suppliers that we designate or approve will likely represent 90% of the total purchases that you make to begin performing the Authorized Services. Once you begin performing the Authorized Services, the primary item you must purchase from us or from suppliers that we designate is Epoxy. We estimate that your Epoxy purchases will represent less than 5% of your total annual expenses.

The failure to purchase the specific goods or services that we designate from the specific suppliers whom we identify is grounds permitting us to terminate the Franchise Agreement. As we explain in this Item 8, if we do not designate a supplier for goods or services that you need to perform Authorized Services, you may purchase them from any third party supplier that you want whose goods or services meet our standards and you do not need to obtain our approval of an alternate supplier in advance.

At this time, none of our affiliates, including PRT, is currently an approved supplier.

B. Drain Repair.

If you choose to perform drain repair services, you will purchase your equipment and supplies from our authorized supplier.

C. Other Specifications.

You will need a vehicle to operate your business. We have minimum specifications for the vehicle, but do not require you to buy the vehicle from us or from a supplier that we approve or designate. If you already are operating an existing general plumbing business, the service vehicle that you are currently using may be large enough and suitable for performing Authorized Services.

You will need to purchase computer hardware and software. Your cost will depend on whether you desire a laptop or desktop system, choose to purchase or lease it, and the various features you choose to add to your computer system. We estimate that the cost to purchase a new desk top computer meeting our minimal requirements will be less than \$1,000.

We may issue specifications for the other items you need to use in your business. If we do, these specifications will be issued either in one of our Confidential Manuals or in a separate electronic or written communication. We may also provide lists to you of recommended suppliers for forms, signs, supplies, marketing materials and other items necessary to perform Authorized Services. The recommended source of supply may be us, an affiliate of ours, or an independent supplier.

D. Purchasing or Distribution Cooperatives.

We do not have any purchasing or distribution cooperatives. We do not currently receive any payments from third party suppliers from whom you make purchases.

E. Approval of Third Party Suppliers.

We may require you to purchase goods or services from suppliers whom we designate periodically by written notice. However, unless we designate a supplier, you may purchase goods or services that you need to perform Authorized Services or fulfill your obligations under the Franchise Agreement from any third party supplier of your own choosing capable of supplying items meeting specifications, which we may indicate in the Confidential Manuals. At this time, this includes the compressor unit.

We may modify our specifications at any time through written supplements to the Confidential Manuals or through other written or electronic communications to you.

If you wish to purchase a compressor unit (or any other equipment or supplies for which we do not designate a specific exclusive supplier) from a supplier that is not recommended or pre-approved by us, you must obtain our approval in writing before you may make the purchase or use the item of equipment or supplies to perform Authorized Services. The Confidential Manuals explain the procedures you must follow to apply for our approval. In some cases, we may ask you to submit pictures of the equipment or supplies and information about the supplier so that we can make an informed decision. In evaluating a proposed third party supplier, we

consider not only the quality of the particular equipment and supplies available for sale from the proposed supplier, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may also ask to test equipment or supplies to independently to verify their functional capabilities.

We will notify you in writing within 30 days after we receive all supporting information from you and complete our inspection or testing to advise you if we approve the proposed item and/or supplier. However, our failure to send you written notice by the end of 30 days signifies that we disapprove the proposed item and/or supplier. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and confidentiality of competitive or proprietary information.

We may revoke our approval of a supplier or item at any time to protect the best interests of ACE DuraFlo® brand. Revocation is effective immediately when you receive written notice from us, and following receipt of our notice, you may not place any new orders for a compressor unit with the particular supplier.

We will communicate any changes or additions to our purchasing standards or procedures in writing or electronically through supplements to the Confidential Manuals. We may modify our specifications, recommended suppliers or purchasing procedures at any time in our discretion and you must promptly conform to all changes at your sole expense.

We do not provide material benefits (for example, renewal or granting additional franchises) based on the fact that you purchase a compressor or any other equipment or supplies from a particular recommended supplier. We may, however, terminate your franchise if you purchase or use any equipment or supplies to perform Authorized Services that have not previously been approved by us.

Additional Disclosure re: Suppliers.

At this time, no officer or manager of our company owns an interest in any required, recommended or approved supplier except for a nominal interest in any supplier that is a public company.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise agreement 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/Article in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	6.01	7, 11
b.	Pre-opening purchases/leases	6.02, 7.05, 13.02	5 – 8
c.	Site development and other pre-opening requirements	3.02, 6.01, 6.02, 13.02	7, 8, 11
d.	Initial and ongoing training	7.01-7.04, 7.10	11
e.	Opening	VI, IX	7,11
f.	Fees	III, IV, V, XIII, XIV, 18.04	5 - 7, 17
g.	Compliance with standards and policies/Operating Manual	7.06, 9.04	8, 11
h.	Trademarks and proprietary information	1.02, 5.03-5.06, XII	13, 14
i.	Restrictions on products/services offered	2.02, VIII, X	16
j.	Warranty and customer service requirements	XI	11
k.	Territorial development and sales quotas	2.03	12
l.	Ongoing product/service purchases	3.02, VIII, XIII	8, 11
m.	Maintenance, appearance and remodeling requirements	6.02	7, 17
n.	Insurance	XV	7
o.	Advertising	V	6, 11
p.	Indemnification	23.02-23.04	6
q.	Owner's participation/management/staffing	7.02, IX	11,15
r.	Records/reports	14.01, 14.02, 14.04	11
s.	Inspections/audits	14.05	6
t.	Transfer	XVIII	17
u.	Renewal	2.04	17
v.	Post-termination obligations	XXI	17
w.	Non-competition covenants	XVII	17
x.	Dispute resolution	XXII	17

Obligation		Section/Article in Franchise Agreement	Disclosure Document Item
y.	Other	None	

ITEM 10 FINANCING

We do not offer direct or indirect financing nor do we guaranty any note, lease, or obligation you might incur.

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

Except as we disclose in this Item 11, we need not provide you with any assistance:

A. Before you begin operating your business, we will:

- Designate a nonexclusive Territory in which you may perform Authorized Services. Franchise Agreement – **Schedule 1**).
- Provide a one-week Initial Training Program. (Franchise Agreement – Section 7.01).
- Sell to you an initial mini E™ or residential equipment package, including Epoxy mixer, air distribution header, sander, air dryers (residential/limited commercial package only) and pre-filter/dust collector. (Franchise Agreement - Sections 3.02 and 13.02).
- Provide you with specifications for the compressor unit that you will need to operate your business.
- Provide you with one or more sets of our confidential manuals and other guides which we may develop to describe our system of operation and the application of the proprietary technology that we provide to you. (Franchise Agreement - Section 9.07). At present, these manuals consist of a Technical Manual and an Equipment Manual (which we sometimes collectively refer to this Franchise Disclosure Document as our "Confidential Manuals"). The Tables of Contents of these manuals are attached to this Franchise Disclosure Document as **Exhibit E**. The Technical Manual currently has a total number of 125 pages. The Equipment Manual currently has a total number of 217 pages.

B. Typical Length of Time Between Signing Franchise Agreement and When You Will Begin Marketing and Performing Authorized Services.

The typical length of time from when you sign the Franchise Agreement to when you are ready to begin performing the Authorized Services, including marketing to generate initial sales, is generally between 90 and 120 days, assuming that you start the Initial Training Program and order your equipment in the first 30 days after you sign the Franchise Agreement. This time period can be affected by the time it takes to select a site and negotiate a lease if you operate from a facility separate from an existing business, and by construction delays, or delays in the

delivery of equipment, or in your initial promotion efforts. This time period may be shorter if you currently own a plumbing business and have a suitable business office.

C. During the operation of your business, we will:

- Sell to you the supply of Epoxy that you need for your use in performing Authorized Services (Franchise Agreement – Section 11.01).
- Provide additional field training and other onsite support to you as you may request, subject to the availability of our personnel, for the fees that we describe in Item 6, and at your sole cost and expense (Franchise Agreement – Section 7.04).
- Maintain and administer the ACE DuraFlo® Advertising Fund (Franchise Agreement – Section 5.02).

D. Our Advertising Services.

We require you to contribute 1.5% of your Gross Receipts each week to our Advertising Fund. We account for these contributions separately from our other funds. We use the Advertising Fund to promote the ACE DuraFlo® name and system through national trade shows and national trade organizations that benefit new business development, to underwrite the cost of developing marketing materials and on media, and generally to develop brand awareness for the ACE DuraFlo® names and marks and our patented and proprietary technology. We may purchase print, radio or television media on a local, regional or national basis. We may also use some of the monies in the Advertising Fund to defray the cost of establishing and maintaining a website, national accounts program (if we choose to implement one), and other tools for generating leads for ACE DuraFlo® franchisees. Additionally, we may use some of the monies in the Advertising Fund to defend our trademarks and protect our brands against infringement. We will not use these contributions to pay any of our general operating expenses, except for the reasonable salaries, administrative costs, direct expenses, and overhead that we incur in activities that directly relate to the administration of the Advertising Fund (up to 15% of the aggregate Advertising Contributions that we collect during any calendar year). At this time, we use both in-house and outside advertising agency services. We do not use the Advertising Fund to pay for expenses that we may incur in selling franchises. We do not promise to spend monies from the Advertising Fund in proportion to contributions which you, or ACE DuraFlo® franchisees in a particular geographic or market area, may make. We will periodically prepare an unaudited accounting of the Advertising Fund's revenue and expenditures, and make the accounting available to you upon written request. If we do not spend all of the Advertising Fund revenue in the year in which it is paid, we carry-forward the unspent revenues to future years. We may terminate the Advertising Fund at any time, in which event we will refund any unspent contributions in proportion to those ACE DuraFlo® franchisees who made contributions after paying all remaining expenses of the Advertising Fund.

In our most recent fiscal year ending December 31, 2021, the percentage breakdown of our Advertising Fund expenditures was as follows:

Production	0%
Media placement costs, advertising	75%
Administrative expenses	18%
Other (trade shows to promote Authorized Services and to benefit franchisees; ADF website development and maintenance; expenses for public relations services to develop brand awareness of the Ace DuraFlo® name and the Authorized Services)	7%
	100%

In conducting local advertising in your Territory, you may use advertising materials that we prepare from the proceeds of the Advertising Fund, which we will make available to you upon request. Alternatively, you may create your own materials. If you do create your own materials, you must obtain our approval before using those materials. This includes distributing or publishing any advertising or promotional materials which you create in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third party websites and social media websites). To maintain uniformity throughout the ACE DuraFlo® system, we forbid you to establish a web site or use an internet address (top line domain name) to advertise or promote your ACE DuraFlo® business that includes any of the ACE DuraFlo® marks.

E. Advertising Council; Advertising Cooperatives.

At this time, there is no advertising council composed of ACE DuraFlo® franchisees that advises us regarding advertising and promotional programs or policies for ACE DuraFlo® businesses generally. No local or regional advertising cooperatives exist in the ACE DuraFlo® network at this time.

F. Cash Control and Computer Systems.

While we do not require you to buy or use any type of electronic cash register or POS system for your business, we do require you to use a basic computer system with high speed Internet access. We do not impose any minimum specifications for the computer system that you choose to use. We do not prescribe the specific model of hardware that you must use, except that it must be that it is capable of running Microsoft Office 2010 or higher so that we can communicate with you electronically and possess sufficient memory to enable you to store an electronic version of the Confidential Manuals and communicate with us through e-mail. (Franchise Agreement - Section 14.05). Numerous retailers, both online and conventional, offer basic computer systems at highly advertised, competitive prices. Your cost will depend on whether you desire a laptop or desktop system, choose to purchase or lease it, and the various features you choose to add to your computer system. We estimate that the cost to purchase computer hardware meeting our minimal requirements will be less than \$1,000. We do not require you to give us independent access to the information that you generate and store on the computer system that you maintain for your business, but we may conduct periodic audits of your business records and computer system to verify your compliance with the Franchise Agreement. (Franchise Agreement - Section 14.02).

In the future, we may require you to use a specific accounting system that we designate or approve. If we designate this system, your initial cost to purchase or lease the computer software will not exceed \$2,500. We may require periodic upgrades to the system the annual cost of which would not exceed \$500. At this time, we do not require you to store the financial

records of your business in your computer system, although we expect many franchisees will choose to do so because a number of different inexpensive software applications are readily available that make it easy to do so.

We may change the method by which you pay us Royalty Fees, Advertising Contributions and other payments upon 14 days written notice, including directing that you use a payment system that we designate involving using pre-authorized transfers from your bank account and electronic fund transfers to our bank account. When you sign the Franchise Agreement, you will sign an agreement in the form of **Exhibit L** agreeing to pay us all fees and other charges for goods or services by our electronic fund transfer system upon our request. You bear the cost of adopting any new payment systems that we require.

G. Business Office.

(Franchise Agreement - Section 6.01) You must maintain a business office in your Territory where you conduct and receive business and maintain all records of your business activities. Your business office must be open before you perform your first job. You must obtain our prior written approval of the street address of the proposed business office. We do not assist you in selecting a site for your business office. We assume that in most cases our franchisees will operate their ACE DuraFlo® business from the office of an existing general plumbing business and, therefore, will obtain our consent to that location before we sign the Franchise Agreement. If you do not have an existing business office, we expect you to obtain our prior written approval of the location and set up the office to receive and conduct business within 90 days after signing the Franchise Agreement and failure to do so is a breach of the Franchise Agreement. (Franchise Agreement – Section 6.01). This means that we must mutually agree upon the site that you select in the Territory for the business office sufficient before the end of the 90 day period so that you have enough time to prepare it for receiving and conducting business by no later than 90 days after you sign the Franchise Agreement. Your failure to meet this deadline is a breach of the Franchise Agreement and grounds permitting us to terminate the Franchise Agreement. While the Franchise Agreement does not specify a time period within which we must respond to a request to approve a proposed site, we agree to do so within 30 days. We do not assist you in hiring your employees.

H. Initial and Other Training Programs.

We offer a one-week Initial Training Program (further described below in this Item 11). (Franchise Agreement - Section 7.01) that we conduct at our offices in Santa Ana, California, where we have a mock plumbing system in our training center. We repeat the Initial Training Program periodically as needed throughout the year.

You or one of your principal owners (if you are a business entity) or a designated Manager, and those employees of yours who will perform Authorized Services on your behalf, must complete the Initial Training Program to our satisfaction as soon after you sign the Franchise Agreement as we can schedule you for training, before you may market, offer, commit to perform, or perform Authorized Services. Additionally, each employee whom you want us to recognize as a Manager must complete the Initial Training Program to our satisfaction.

Each additional restoration technician whom you hire to perform Authorized Services and who does not complete the session of the Initial Training Program with you or your principal owner before you begin performing Authorized Services, must complete another session of the

Initial Training Program that we offer, by mutual arrangement, within 60 days of their hiring date. You must keep us informed of the identification of each person whom you hire to perform Authorized Services on your behalf.

During the term of the Franchise Agreement, you may send up to 6 persons to our Initial Training Program without paying any training fee. For each additional person whom you enroll in our Initial Training Program during the term of your Franchise Agreement after 6 people attend, you must pay a training fee of up to \$500/person. We may modify the duration, location, content and method for delivering the Initial Training Program at any time without notice. You are responsible for all travel, living and salary expenses for your personnel in connection with attending training. (See Franchise Agreement - Article VII).

The following chart presents an overview of our Initial Training Program curriculum at this time:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-the- Job Training	Column 4 Location
Marketing and Advertising	8	0	Santa Ana, California
Theory of Pipe Restoration	3	0	Santa Ana, California
Technical Review of Process	4	0	Santa Ana, California
Overview of Equipment	0	4	Actual job site or in Santa Ana, California
Pipe Drying and Cleaning	0	7	Actual job site or in Santa Ana, California
Epoxy Application	0	7	Actual job site or in Santa Ana, California
Troubleshooting	0	2	Actual job site or in Santa Ana, California
TOTAL	15	20	

We will use our various manuals and other handouts as the instructional materials for these training programs.

The instructors are subject to change. At this time our instructors include our CEO, Larry Gillanders, whose background is described in Item 2, and Mike Carper, a plumbing contractor and Director of Research and Development for ePIPE technologies with more than 17 years of experience working with ACE DuraFlo systems on commercial and residential projects. They will provide instruction offering technical and marketing training. Their experience qualifies them to teach new franchisees about our patented and proprietary technology.

We have built a plumbing center in our Santa Ana, California, facility to create a mock plumbing system. On-the-job training will take place either on a job site or at our plumbing center.

Within the first 60 days after you, or your principal owner, complete the Initial Training Program, subject to the availability of our personnel, we will send one of our technicians to your Territory to provide field training to you and your personnel on site at the location of your first two residential jobs for an aggregate period not to exceed 10 days. If you complete field training within the first 60 days after you, or your principal owner, complete the Initial Training Program, we do not charge any training fees. However, you must reimburse us for our actual direct costs to send a technician to your Territory (transportation, lodging, meals, and incidental expenses). (Franchise Agreement - Section 7.05). If you cannot complete field training within the first 60 days after you, or your principal owner, complete the Initial Training Program, you must pay us a training fee of up to \$1,500/day to send our technician to your Territory to provide field training for up to 10 days, plus reimburse us for our actual direct costs for travel. The length of field training is by mutual arrangement.

You may request additional field training during the term of your Franchise Agreement, subject to availability and by mutual arrangement, for a fee equal to our then-current daily rate set forth in the confidential manuals and reimbursement of our actual direct costs to send a technician to your Territory (transportation, lodging, meals, and incidental expenses). (Franchise Agreement - Section 7.05). Our current fee for additional field training at this time is up to \$1,500/person/day. The length of field training is by mutual arrangement.

We may also conduct an annual meeting for ACE DuraFlo® franchisees or require you or designated personnel to complete additional training. (See Franchise Agreement - Sections 7.03, 7.04). We will not require that more than 2 persons complete mandatory additional training exceeding 2 days in any 12 month period. Nor will we require that more than 1 person attend an annual meeting in any 12 month period exceeding 3 days in duration. There may be additional fees if we conduct mandatory additional training or an annual meeting. You are responsible for all travel, living and salary expenses for your personnel in connection with attending any additional mandatory training or annual meeting, which will be at locations in the United States.

ITEM 12 TERRITORY

You will not receive an exclusive territory. The Franchise Agreement gives you the non-exclusive right to operate a pipe restoration business and perform Authorized Services in a Territory that we designate at the time you sign the Franchise Agreement. You may not perform Authorized Services outside of the Territory. The Franchise Agreement does not give us the right unilaterally to alter the boundaries of your Territory or modify your territorial rights.

Because the franchise that we grant to you is non-exclusive, we may grant franchises or franchises to other persons, including our affiliates, to operate an ACE DuraFlo® business, or otherwise use our patented and proprietary technology and Epoxy, in your Territory as well as in adjoining trade areas.

We may also establish licenses, franchises or affiliate businesses in the same or different channels of distribution that sell or lease similar products or services under a different trademark anywhere, including in your Territory, without paying you compensation. This includes our ePIPE® licensing program that we currently offer to existing plumbers who are members of an existing regional or national chain for pipe restoration services, which permits the use of the same proprietary technology that we provide to ACE DuraFlo® franchisees. In

the future, we may offer licenses or franchises for other types of pipe restoration programs or drain repair solutions under other trademarks.

Consequently, because you will not receive an exclusive territory, you will face competition from other ACE DuraFlo® and ePIPE® franchisees that operate in your Territory, from the activities of our affiliates in your Territory, and potentially from other channels of distribution or competitive brands that we control.

We administer our ePIPE® licensing program out of the same offices that we administer the ACE DuraFlo® licensing program and have no current plan to maintain physically separate offices for the two programs. While the ACE DuraFlo® and ePIPE® training programs differ and while ePIPE® franchisees cannot enroll in the ACE DuraFlo® training program or vice-versa, both training programs share the same training facilities and instructors.

We reserve all other distribution rights that we do not expressly grant to you. By distribution rights, we mean all forms and channels of distribution, regardless of whether we use the method now or adopt it in the future. Channels of distribution include the Internet, telemarketing or other direct marketing sales. For example, we may sell the Epoxy through any channel of distribution, conduct advertising in any media, and perform any type of services under the same or different trademarks than the ACE DuraFlo® names or marks that we provide to you in your Territory. Technology may result in the discovery and identification of additional channels of distribution not presently known at this time and we reserve all rights to those later-developed technologies and channels of distribution. There is no limit on the distribution rights that we reserve.

You may not maintain your own web site to promote the Franchised Business or advertise on the Internet using the ACE DuraFlo® names or marks or referencing any of the ACE DuraFlo® or ePIPE® Authorized Services without our prior written consent, which you must obtain in the manner applicable to any other form of local advertising that you create. You may not use the ACE DuraFlo® names or marks in any electronic mail address or in any domain name.

You may not perform Authorized Services for a job outside of your Territory without first obtaining our prior written consent. You must obtain our written consent before you may enter into any commitment. We have discretion in deciding whether or not to grant consent and may impose any reasonable conditions upon our approval. We review requests on a job-by-job basis and the fact that we approve one request does not obligate us to approve any other requests. Among other considerations, we will not approve your request if the project is in a Territory in which another franchisee, franchisees or affiliate business is operating.

Under the Franchise Agreement, you have no right to (i) use or sell the Epoxy except incidental to the performance of Authorized Services; (ii) market or solicit customers for Authorized Services by, among other activities, placing advertising in media that circulates or broadcasts outside of your Territory (incidental or insignificant circulation or broadcast range is excluded); or (iii) market, solicit or advertise for restoration jobs that are outside the scope of the Authorized Services.

We do not condition the continuation of your non-exclusive rights in your Territory on you achieving any particular level of sales, market penetration or other contingency.

If you want to move your business office to another location in the Territory we assign to you, you must first obtain our prior written consent, which we will not withhold if the new location that you propose is not in near proximity to the business office of another ACE DuraFlo® or ePIPE® franchisee. You may not locate your business office outside of your Territory.

You do not have any automatic right to acquire additional franchises for adjacent or other territories. However, if you are in compliance with the Franchise Agreement, you may submit a written request to expand your Territory to include a specifically-described geographic area contiguous to your Territory for an additional franchise fee of \$8,000 for each population increment of up to 250,000 of population. For example, if the population in the contiguous geographic area is 650,000, the additional franchise fee would be \$24,900, and if the population in the contiguous geographic area is 750,100, the additional franchise fee would be \$32,900. We have discretion to approve your request and designate the new boundaries of the Territory, which may vary from the boundaries that you propose. If we approve your request and you accept the boundaries that we approve for annexation, you and we will amend the Franchise Agreement to identify the new boundaries of the Territory. The additional franchise fee shall be due and payable in full when you execute the written amendment to the Franchise Agreement and is non-refundable. Your rights in the new Territory shall remain nonexclusive and otherwise the same as before the expansion.

In the future, we may implement a voluntary national accounts program with companies that make or influence decisions with respect to pipe maintenance and restoration nationally or on a regional level. If we implement a national accounts program, we will determine the referral policies and fee for participating in the program, in our discretion, and include the information in the Confidential Manuals. As long as you are not in default under the Franchise Agreement and, in our reasonable business judgment, have the appropriate equipment, personnel, resources and training, we will give you an opportunity to accept jobs for local outlets of the national account that are within your Territory. If your Territory includes more than one franchisee or if we or any of our affiliates also operate in the same Territory as you do, we will make referrals according to the referral policies in the operating manuals and refer jobs to the person whom we believe, in our reasonable business judgment, is best suited to perform the particular project in view of the project's size, technical requirements, and deadlines for completion. We will attempt to allocate referrals in an orderly manner so that you and each other franchisee or affiliate of ours who is equally qualified to perform Authorized Services in the Territory will receive a comparable number of referrals. However, we do not guaranty that, if we implement a national accounts program, either the number of jobs that we refer to you, or the aggregate Gross Receipts of those jobs, will be equal to each other franchisee or affiliate of ours who is also doing business in the same Territory.

ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to operate an ACE DuraFlo® pipe restoration business under the trade names, trademarks, and service marks that we designate. You must follow our rules when you use these marks. You cannot use any of our names or marks as part of a corporate name or with modifying words, designs or symbols. We expect you to identify your business using the fictitious business name of "ACE DuraFlo®." You may not use the ACE DuraFlo® names or marks to offer or sell any unauthorized products or services or in a manner that we have not previously authorized in writing.

Some of the principal marks that we provide to you are owned by an affiliate of ours, Pipe Restoration Technologies, LLC (PRT). Under a Franchise Agreement effective April 2001, PRT gave us an exclusive license to use and provide these marks in the United States and Canada. The term of the Franchise Agreement extends for up to 5 years past the expiration of the last Franchise Agreement in North America. The Franchise Agreement with PRT does not restrict our use of these marks in any manner material to the franchise that we grant to you. We therefore essentially have all the rights of PRT, the owner, to license or franchise others to use these marks in the United States and Canada. If PRT terminates the Franchise Agreement, PRT would assume our obligations to our franchisees.

As of the effective date of this Franchise Disclosure Document, we or PRT have registered the following marks on the Principal Register of the United States Patent and Trademark Office, except as shown:

Mark	Owner	Status	Registration Number	Registration Date
ACE DuraFlo®	PRT	Registered - Principal Register	2,484,383	September 4, 2001
ACE DuraFlo® logo (on cover page)	PRT	Registered - Principal Register	2,574,994	June 4, 2002
The Modern Pipe Renovation System®	PRT	Registered - Principal Register	2,424,886	January 30, 2001
Fix My Pipes! ®	ADF	Registered - Supplemental Register	2,655,158	November 26, 2002
The Repiping Alternative®	ADF	Registered - Principal Register	2,631,482	October 8, 2002
ePIPE®	PRT	Registered - Principal Register	3,166,746	October 31, 2006
ePIPE® (word mark)	PRT	Registered - Principal Register	3,410,670	April 8, 2008
MINIe® (design mark)	PRT	Registered - Principal Register	3,415,340	April 22, 2008
ePIPE® (design mark)	PRT	Registered - Principal Register	3,438,008	May 27, 2008
eliner®	ADF	Registered - Principal Register	3,442,802	June 3, 2008
WHY REPIPE?®	PRT	Registered – Principal Register	3,758,212	March 9, 2010
Pur Piping System®	PRT	Registered – Principal Register	3,737,941	May 7, 2012
Purpipe®	PRT	Registered – Principal Register	3,737,942	May 7, 2012
Nu Pipe®	PRT	Registered – Principal Register	4,250,711	November 27, 2012
LeadSmart®	PRT	Registered – Principal Register	5,160,560	March 14, 2017
LeadSmart® (design mark)	PRT	Registered – Principal Register	5,354,763	December 12, 2017

PRT and we have each filed all affidavits required to preserve and renew these trademark registrations. We are not aware of any agreements that materially limit our right to use or license the use of these marks in the United States or Canada. We are not aware of any infringing uses that could materially affect your use of these marks in the Territory.

On February 28, 2022, PRT filed an application to register the following mark on the Principal Register of the United States Patent and Trademark Office:

Mark	Owner	Status	Application Serial Number	Application Filing Date
eDRAIN	PRT	Pending	97288339	February 28, 2022

There are no currently effective determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending infringement, opposition or cancellation proceedings, or any pending material litigation involving the marks that we authorize you to use.

If you learn of an infringement or challenge to your use of these marks, you must immediately notify us. We will take the action that we think is appropriate and may decide not to take any action. If you have been using our marks correctly and have promptly notified us of the infringing use, we will indemnify you from any direct costs that you incur if we require you to discontinue using the marks and use another mark. Also, if a judgment is rendered against you, we will indemnify you for the amount of the judgment. Under no circumstance are we responsible for any consequential or punitive damages or lost profits that you may claim arising out of having to stop using our marks and begin using another name. We will control any administrative proceeding or lawsuit involving our marks. You must assign to us any claims that you have against the party asserting the claim.

We reserve the right to adopt new marks at any time, or to change these marks. If we adopt new marks, or change the existing marks, you must use the new or modified marks, and discontinue the use of any marks that we decide to change or discontinue, at your expense.

We may enter into arrangements with one or more national or regional plumbing chains allowing them and their franchisees to use of our proprietary technology under our ePIPE® brand. As of the effective date of this Franchise Disclosure Document, we have entered into non-exclusive arrangements with the Mr. Rooter and American Leak Detection franchise chains permitting us to offer ePIPE® licenses to their franchisees in good standing that meet certain eligibility criteria.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The technology that we use for cleaning and reconditioning pipelines, and the equipment that we require you to use to perform Authorized Services, are proprietary and owned by PRT. Under our Franchise Agreement with PRT, we have an exclusive license to use and provide the use of the patented and proprietary ACE DuraFlo/ePIPE® Process in the United States and Canada. The Franchise Agreement with PRT does not restrict our use of the technology in any manner material to the franchise that we grant to you. We therefore essentially have all the

rights of PRT, the owner, to license or franchise others to use the technology for the Authorized Services in the United States and Canada.

We provide the same patented and proprietary technology to ACE DuraFlo® and ePIPE® franchisees under separate licensing programs that involve different rights and benefits.

PRT is the owner of the following U.S. Patent describing methods and systems for cleaning and providing barrier coatings to interior walls of piping systems. These methods and systems are the essential features of the proprietary technology that we provide to you to perform Authorized Services. There are no currently effective determinations of the U.S. Trademark and Patent Office or any court regarding our U.S. Patent.

U.S. Patent No.	Title	Issuance Date	Type of Patent
7,160,574	Method and systems for cleaning and providing barrier coatings to interior walls of piping systems	1/9/07	Utility
7,517,409	Barrier Coating Corrosion Control Methods and Systems For Interior Piping Systems	4/14/09	Utility
7,858,149	Methods and Systems for Coating and sealing inside Piping systems	12/28/10	Utility
8,033,242	Methods and Systems for Coating and sealing inside Piping Systems.	10/11/11	Utility
8,206,783	Barrier Coating Corrosion Control Methods and Systems For Interior Piping Systems	6/26/12	Utility
8,343,579	Methods and Systems for Coating and Sealing Inside Piping Systems	1/1/13	Utility
8,354,140	Barrier Coating Corrosion Control Methods and Systems for Interior Piping Systems	1/15/13	Utility
8,399,813	Portable Apparatus for Heating the Interior of Piping Systems	3/19/13	Utility
8,524,320	Process for Coating the Interior Surface of Water Service Lines	9/3/13	Utility
8,696,823	Methods & Systems for Abrasive Cleaning and Barrier Coating/Sealing of Pipes	4/15/14	Utility
8,795,768	Methods and Systems for Coating and Sealing Inside Piping Systems	8/5/14	Utility

U.S. Patent No.	Title	Issuance Date	Type of Patent
8,887,660	Barrier Coating Corrosion Control Methods and Systems for Interior Piping Systems	11/18/14	Utility
8,895,905	Portable Apparatus for Heating the Interior of Piping Systems	11/25/14	Utility
9,273,815	Coatings, Materials and Processes for Lead and Copper Water Service Lines	3/1/16	Utility
9,352,357	Methods & Systems for Coating/Sealing Inside Piping Systems	3/31/16	Utility
9,446,429	Barrier Coating Corrosion Control Methods & Systems for Interior Piping Systems	9/20/16	Utility
9,555,453	Methods & Systems for Abrasive Cleaning & Barrier Coating/Sealing of Pipes	1/31/17	Utility
9,611,973	Process for Coating the Interior Surface of Water Service Lines	4/4/17	Utility
9,724,730	Methods and Systems for Coating and Sealing Inside Piping Systems	8/8/17	Utility
9,744,561	Barrier Coating Corrosion Control Methods and Systems for Interior Walls of Pipe in Underground Piping	8/29/17	Utility
9,764,354	Process for Coating the Interior Surface of Underground Pipes	9/19/17	Utility
9,889,469	Process for Coating the Interior Surfaces of Pipes Made of NonMetal Materials	2/13/18	Utility
9,889,470	Process for Coating the Interior Surfaces of NonMetal Pipes	2/13/18	Utility
10,076,769	Process for Coating the Interior Surfaces of Non Metal Pipes	8/29/18	Utility
10,096,770	Process for Coating the interior surfaces of Nonmetal materials	8/29/18	Utility

On March 31, 2006, PRT obtained a copyright registration for photographs of our primary pipe designs (copper pipe coated, galvanized pipe coated and uncoated, copper pipe with clamp and 3 pipe array) under Registration No: VA-1-360-780, VA-1-360-781, VA-1-360-782, VA-1-360-783, VA-1-360-784. On May 30, 2006, ADF obtained a copyright registration for

its website, www.aceduraflo.com, under Registration No. TX-6-361-732. The duration of each copyright is the life of the author plus 70 years.

Except for these copyright registrations, we have no other registered copyrights as of the effective date of this Franchise Disclosure Document. However, we claim copyright protection for our confidential manuals, and for all advertising and promotional materials, forms, and related materials that we produce. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement. There are no currently effective determinations of the Copyright Office of the Library of Congress or any court regarding any of our copyrighted materials.

There are no agreements in effect that significantly limit our right to use or license the copyrighted materials or our patented and proprietary technology. We are not aware of any infringing uses of these items that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights or our patent and proprietary technology. If you become aware of any challenge to our copyrights, patent or proprietary technology, you must notify us. We will decide the appropriate action to take. We will control any litigation involving our copyrights, patent or proprietary technology. If we require you to modify or discontinue your use of any copyright, or of our patent or proprietary technology, you must do so promptly following notice from us. Our only obligation will be to reimburse you for any actual direct costs you incur to comply with this obligation, but not for any consequential or punitive damages or lost profits.

During the term of the Franchise Agreement, we may disclose, or you may learn of, information that we regard as confidential, proprietary and/or as our trade secrets. This will include information in our confidential manuals, and in materials that we may separately provide to you. You may use these materials in the manner that we approve, in the operation of your business during the term of your Franchise Agreement. However, you may not use these materials in any other way for your own benefit, or communicate or disclose information that we regard as confidential, proprietary and/or as our trade secrets to, or for the benefit of, any other person or entity. These materials may include knowledge or know-how about our patented and proprietary technology, information about our sources of supply, data regarding the results of operation of ACE DuraFlo® or ePIPE® franchisees, and our recommendations on pricing. You may only disclose this information to your employees if necessary to enable you to perform Authorized Services and only during the term of the Franchise Agreement. We may require your employees to sign our then-current form of Personal Covenant Agreement agreeing to keep the information confidential. We attach our current form of Personal Covenant Agreement containing our confidentiality agreement as **Exhibit H**.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

While we recommend that you participate personally in the operation of your business, the Franchise Agreement does not obligate you to do so. However, we require that you designate (i) at least one full-time employee as your full-time manager with responsibility for directly supervising the day-to-day management of the business, and (ii) at least one other full-time employee as your sales manager with responsibility for selling and marketing the Authorized Services on your behalf. Both the manager and the sales manager whom you designate must have successfully completed our Initial Training Program. We do not require your manager or sales manager to have any ownership interest in your business. However, we

do require you to have all your employees who take our training programs sign a confidentiality agreement. See **Exhibit H**.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer the Authorized Services for mini E™, residential/limited commercial applications using our patented and proprietary technology and Epoxy. You do not have the right to use our patented and proprietary technology or Epoxy to restore fire sprinkler systems or for any other application not within the scope of the Authorized Services as we define that term in the Franchise Agreement. By mutual agreement, we may modify the scope of the Authorized Services.

You may not market your business outside of the Territory that we designate, and you may not perform Authorized Services outside your Territory.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the agreement attached to this Franchise Disclosure Document.

Provision		Section in Franchise Agreement	Summary
a.	Length of Franchise Agreement term	2.01	10 years
b.	Renewal or extension of the Franchise Agreement term	2.04	If you have complied with all the terms and conditions of your Franchise Agreement, you may renew for an additional term of 5 years.
c.	Requirements for you to renew or extend the Franchise Agreement	2.04	You must tell us at least 9 months in advance, sign a new Franchise Agreement, pay a \$1,000 renewal fee, and make necessary capital expenditures to upgrade and modernize your equipment. Our then-current Franchise Agreement may contain materially different terms and conditions than the expiring Franchise Agreement.
d.	Termination by you	21.01	You may terminate only if we default and we do not cure our default within a minimum of 30 days after receiving notice from you.
e.	Termination by us without cause	None	
f.	Termination by us with cause	21.02	We may terminate only if you default.
g.	"Cause" defined - curable defaults	21.03	Most defaults allow you a 30-day cure period after notice.
h.	"Cause" defined - defaults which cannot be cured	21.02	After applying for the ACE DuraFlo® franchise, abandonment of the business; conviction of a felony or other crimes that affect the operation of the business; defaults

Provision		Section in Franchise Agreement	Summary
			that materially affect our goodwill; 3 or more notices of default within any 24 month period (regardless of whether you cure each default); unauthorized assignment; misrepresentation in applying for the franchise; submission of two or more materially false sales reports within 12 months; use of any substitute material for our proprietary Epoxy; and failure to follow our protocols for maintaining and controlling Epoxy samples.
i.	Your obligations on termination or non-renewal	21.05, 21.06, 21.09	Obligations include complete de-identification and payments of amounts owed (also see R below).
j.	Assignment of contract by us	18.01	No restriction on our right to assign.
k.	"Transfer" by you - definition	18.02-18.04	Includes transfer of contract, sale, transfer or lease of business, or transfer of one-half or more of voting control.
l.	Our approval of transfer by you	18.02	We have the right to approve all transfers, but will not unreasonably withhold our approval.
m.	Conditions for our approval of transfer	18.03, 18.04	New franchisee must qualify and sign a new Franchise Agreement. Transfer fee required in lieu of new Initial Franchise Fee.
n.	Our right of first refusal to acquire your business	Article XIX	We can match any offer for your business.
o.	Our option to purchase your business	21.09	We can buy the equipment that you must use to perform Authorized Services after termination or expiration
p.	Your death or disability	18.04(h)	Your heirs can assume the Franchise Agreement but they must meet the conditions for assignment.
q.	Non-competition covenants during the term of the franchise	17.01, 17.02	Except for less than 5% ownership in a public company, you may not participate in a competing business, or solicit or divert business from us or from any other of our franchisees. This restriction also applies to each of your officers, directors, partners or LLC managing members and owners who must personally guaranty the obligations of a franchisee that is a business entity.
r.	Non-competition covenants after the franchise is terminated or expires	17.03	The above restrictions continue for 2 years with respect to Franchisee and the same individuals as above (section q.), but only in your operating Territory and in areas within 20 miles of any other of our franchisees who we authorize to use our proprietary technology, including other ePIPE® or ACE DuraFlo® franchisees.
s.	Modification of the Franchise Agreement	24.03	No modifications without consent by both you and us. Confidential manuals are subject to change by us.

Provision		Section in Franchise Agreement	Summary
t.	Integration/merger clause	24.03	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Article XXII	Except for certain claims, all disputes must first be submitted to mediation in Orange County, California. If the dispute is not resolved, then litigation in Orange County, California.
v.	Choice of forum	22.07	Litigation must generally be in an appropriate court in California. However, certain states may require venue in your state. The State Addendum identifies these states. See State Addendum (Exhibit K).
w.	Choice of law	24.01	Nevada law generally applies. However, certain states may require the application of your state's law. The State Addendum identifies these states. See State Addendum (Exhibit K).

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchisee-owned ACE DuraFlo® business. 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 ACE DuraFlo® business from us or an affiliate of ours, however, we may provide you with the actual records of that ACE DuraFlo® business. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Larry Gillanders of ACE DuraFlo Systems, LLC, 3122 West Alpine Street, Santa Ana, California 92704 (telephone: (800) 359-6369; fax: (714) 564-7607; e-mail: sales@aceduraflo.com), the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

See **Exhibit C** for the addresses and business telephone numbers of all ACE DuraFlo® pipe restoration businesses that are owned by franchisees, including any that are not yet operational, as of the last day of our most recent fiscal year, December 31, 2021.

Applicable disclosure rules require us to disclose statistics about the ACE DuraFlo® network of franchisees and affiliate-owned businesses in terms of the number of “outlets.” Because ACE DuraFlo® pipe restoration businesses are service businesses, not retail businesses, “outlets” are not especially relevant. In this Item 20, the term “outlets” refers to the number of distinct ACE DuraFlo® pipe restoration businesses operating under a Franchise Agreement with us or which are operated by our affiliates.

TABLE 1				
System-wide Outlet Summary For Years 2019 to 2021				
Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2019	21	21	0
	2020	21	11	-10
	2021	11	10	-1
Company-Owned	2019	3	3	0
	2020	3	1	-2
	2021	1	1	0
Total Outlets	2019	24	24	0
	2020	24	12	-12
	2021	12	11	-1

TABLE 2		
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2019 to 2021		
Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

TABLE 3								
Status of Franchisees/Outlets for Years 2019 to 2021								
Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations- Other Reasons	Column 9 Outlets at End of the Year
Arizona	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
California	2019	7	0	0	0	0	0	7
	2020	7	0	0	0	0	5	2
	2021	2	0	0	0	0	0	2
Florida	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	0	2
Georgia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
Hawaii	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Kansas	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
Ohio	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Jersey	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
South Carolina	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Texas	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	1	5
	2021	5	0	1	0	0	0	4
Totals	2019	21	0	0	0	0	0	21
	2020	21	0	0	0	0	10	11
	2021	11	0	1	0	0	0	10

TABLE 4							
Status of Company-Owned Outlets for Years 2019 to 2021							
Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
California	2019	2	0	0	0	0	2
	2020	2	0	0	1	0	1
	2021	1	0	0	0	0	1
Nevada	2018	1	0	0	0	0	1
	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
Totals	2019	3	0	0	0	0	3
	2020	3	0	0	2	0	1
	2021	1	0	0	0	0	1

TABLE 5			
Projected New Franchisee-Owned ACE DuraFlo® Businesses During Fiscal Year 2022			
Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened in 2021	Column 3 Projected New Franchised Outlets Open and Operating During 2022	Column 4 Projected New Company- Owned Outlet in 2022
Alaska	0	0	0
Arizona	0	0	0
California	0	0	0
Florida	0	0	0
Hawaii	0	0	0
Illinois	0	0	0
Maryland	0	0	0
Nevada	0	0	0
New York	0	0	0
Oklahoma	0	0	0
Tennessee	0	0	0
Texas	0	0	0
Virginia	0	0	0
TOTAL	0	0	0

Attached as **Exhibit C** is a list of the names, addresses and telephone numbers of all current ACE DuraFlo® franchisees.

Attached as **Exhibit D** is a list of the names, city and state and current business telephone number or last known home telephone of every and addresses of each ACE DuraFlo® franchisee who has had its Franchise Agreement terminated, cancelled, non-renewed or who has otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recently completed fiscal year ending December 31, 2021, or who have not communicated with us during the 10 weeks before the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During our last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There are no trademark-specific groups or organizations of franchisees associated with the ACE DuraFlo® network which we have created, sponsored or endorsed as of the issuance date of this Franchise Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as **Exhibit B** are copies of our audited financial statements for our last three fiscal years ending on December 31, 2021, December 31, 2020, and December 31, 2019.

Exhibit B also includes our unaudited balance sheet, income statement and cash flow statement for the first fiscal quarter of 2022 ending March 31, 2022.

ITEM 22 CONTRACTS

Attached to this Franchise Disclosure Document are the following contracts:

Exhibit A	ACE DuraFlo® Franchise Agreement
Exhibit G	Personal Guaranty. We require each person who owns 10% or more of the equity or voting interests of a corporate or limited liability company franchisee to sign this Guaranty and sign a Personal Covenant Agreement (Exhibit H) confirming that you will personally abide by the non-compete provisions of our Franchise Agreement.
Exhibit H	Personal Covenant Agreement.
Exhibit I	Representations, Warranties and Acknowledgments you must sign as a condition to becoming an ACE DuraFlo® franchise.
Exhibit M	Drain Repair Addendum
Exhibit N	General Release

ITEM 23 RECEIPTS

The very last 4 pages of this franchise disclosure document (**Exhibit O**) are duplicate Receipts, one of which should be signed, detached and returned to us acknowledging your receipt of this franchise disclosure document. The other Receipt is to be kept by you. If the Receipt pages or any other pages or exhibits are missing from your copy, please contact us at this address and phone number:

ACE DURAFLO SYSTEMS, LLC
A Nevada Limited Liability Company
3122 West Alpine Street
Santa Ana, California 92704
Phone: (800) 359-6369
Fax: (714) 564-7607
www.aceduraflo.com
www.fixmypipes.com

EXHIBIT A



ACE DURA FLO SYSTEMS, LLC
FRANCHISE AGREEMENT

ACE DURAFLO SYSTEMS, LLC FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and entered into as of _____, 20__ (the "Signing Date"), by and between ACE DuraFlo SYSTEMS, LLC, a Nevada limited liability company, doing business as "ACE DuraFlo®" (Company/Franchisor hereinafter "Company"), and _____ ("Franchisee") with reference to the following facts:

As a result of its expenditure of time, skill, effort and money, Company and its Affiliates have developed a proprietary system for the cleaning and reconditioning of pipe lines, for their coating against corrosion, and for the installation of pipelines that have been pre-coated using Company's proprietary epoxy materials, together with related repair and other authorized services, which Company continues to develop and improve. Company markets the authorized services under the brand name and service mark ACE DuraFlo® and associated logos. Company desires to grant to qualified persons a franchise to use the proprietary system, marketing programs, names, marks and methods of operation to conduct a pipe repair and reconditioning business in an assigned territory on the terms and conditions of this Agreement. Franchisee has applied to Company for a franchise to operate an ACE DuraFlo® business on the terms and conditions of this Agreement. Company has approved Franchisee's application in reliance upon the representations made in the application and this Agreement. The parties desire to enter into this Agreement to memorialize their understanding regarding the terms and conditions of the award of licensing rights to Franchisee.

I. DEFINITIONS

In addition to definitions incorporated in the body of this Agreement, the following capitalized terms in this Agreement are defined as follows:

1.01 ACE DuraFlo® Authorized Business. The term "ACE DuraFlo® Authorized Business" refers to any person or Business Entity, including Company and Company's Affiliates, that Company has authorized to perform specific services under the ACE DuraFlo® Program and the ACE DuraFlo® Marks.

1.02 Affiliate. The term "Affiliate" means a Business Entity that directly or indirectly controls, is controlled by, or is under common control with, a party to this Agreement. "Affiliates" refer to each and every Business Entity that is an Affiliate of a party to this Agreement.

1.03 Applicable Law. The term "Applicable Law" shall mean the applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any governmental authority with jurisdiction over the operation of the Franchised Business that are in effect on or after the Signing Date, as amended from time to time.

1.04 Authorized Services. The term "Authorized Services" shall mean the use of the Process and System of Operation in accordance with the requirements of this Agreement and the Confidential Manuals for the specific application or applications which the parties indicate on **Schedule 1** on the Signing Date, which shall be the (i) mini E™ application ("mini E™ Application") involving the restoration, repair or replacement of single lines or parts of

a piping system which are up to 1" in diameter in small sections; or (ii) a combination of (a) residential applications involving the restoration, repair or replacement of pipes in single family homes and multi-family (up to 4 units) residential structures which are between 1" but not more than 2" in diameter; and (b) limited commercial applications involving the restoration, repair or replacement of pipes no larger than two inches in diameter, including (without limitation) pipes in, or serving, small commercial structures, like apartment buildings, strip centers, and schools, that have no more than 3 stories (together, the services described in subparts (a) and (b) are the "Residential/Commercial Application"). The Authorized Services shall also include any other applications or services, including (without limitation) drain repair services, as the parties may mutually agree upon in writing during the Term by entering into an addendum to this Agreement. The parties specifically exclude from the term "Authorized Services" the use of the Process and System of Operation in the restoration of fire sprinkler systems. Company may modify the Process and System of Operation through changes to the Confidential Manual and thereby modify the Authorized Services in accordance with this Agreement without Franchisee's prior consent.

1.05 Business Entity. The term "Business Entity" means a corporation, limited liability company, partnership, limited liability partnership, trust or other type of legal entity which, under Applicable Laws, may enter into contracts in its own name.

1.06 Business Office. The term "Business Office" refers to the Franchised Business' principal place of business where Franchisee shall receive and conduct business and keep all of the books and records of the Franchised Business.

1.07 Calendar Month. The term "Calendar Month" means any one of the 12 months of the Calendar Year starting on the first day of the month.

1.08 Calendar Quarter. The term "Calendar Quarter" means the 3-month period ending on March 31, June 30, September 30 or December 31 of each year.

1.09 Calendar Year. The term "Calendar Year" means each 12-month period starting on January 1 and ending on December 31.

1.10 Change of Control. The term "Change of Control" means a transaction or series of related transactions that result in the sale of all or substantially all of the assets of the Franchised Business. If Franchisee is a Business Entity, "Change of Control" also means: (i) a transaction or series of related transactions that result in a transfer of 50% or more of the outstanding voting power of Franchisee (other than directly or indirectly to Franchisee's Affiliate) whether voluntarily or by operation of law or due to a merger or consolidation, and (ii) the right to appoint, or cause to be appointed, a majority of the directors, officers or members of the Business Entity.

1.11 Competitive Business. The term "Competitive Business" shall mean any business offering, or awarding franchises or licenses to others to offer, services involving the restoration, repair or replacement of pipes in all types of residential, commercial and other applications, including applications outside the scope of the definition of Authorized Services.

1.12 Confidential Information. The term "Confidential Information" shall mean the following: (i) all information, manuals, materials, expertise, intellectual property (regardless of form), techniques and details pertaining to the Process; (ii) sales, profit performance or other results of operation of other ACE DuraFlo® Authorized Business,

including the Franchised Business; (iii) the results of surveys and promotional programs; (iv) the results of operation of other franchisees of the Process who are not ACE DuraFlo® Authorized Businesses; and (v) in general, methods, specifications, customer data, pricing and cost data, procedures, information systems and knowledge about the System of Operation, Company's prospective or existing commercial relationships or the Names and Marks, whether it is now known or exists or is acquired or created in the future. Confidential Information shall be classified as such depending upon the content of the information, regardless of whether or not the information is included in the Confidential Manuals or Company expressly designates as Confidential Information. Confidential Information does not include (i) information which Franchisee can demonstrate came to its attention independent of the purchasing the franchise that is the subject of this Agreement and before Company's disclosure of the information in the Confidential Manuals or otherwise, and (ii) information that Company agrees is, or has become, generally known in the public domain, except where public knowledge is the result of Franchisee's wrongful disclosure whether or not deliberate or inadvertent.

1.13 Confidential Manuals. The term "Confidential Manuals" shall mean, collectively, the manuals and other guides that Company may develop and revise from time to time and loan to Company to assist Franchisee in the establishment and operation of the Franchised Business.

1.14 Covered Area. The term "Covered Area" means (i) the Operating Territory; (ii) the operating territory of every other ACE DuraFlo® Authorized Business; and (iii) the operating territory of every business operating under a franchise from Company to use the Process that is not an ACE DuraFlo® Authorized Business. The scope of (ii) and (iii) shall include businesses that begin operating before or after the expiration or termination of this Agreement. Subpart (iii) shall include, without limitation, businesses that Company refers to as "ePIPE® Authorized Businesses."

1.15 Covered Persons. The term "Covered Person" means (i) the individual executing this Agreement as Franchisee if the Franchise is granted to an individual and not a Business Entity; (ii) each officer, director, general partner, or LLC managing member of Franchisee if Franchisee is a Business Entity; and (iii) each individual who is required by this Agreement to guaranty Franchisee's obligations to Company. Franchisee represents that **Schedule 2** is a true and complete list of the Covered Persons as of the Signing Date. Franchisee shall notify Company in writing of any changes to **Schedule 2** that occur during the Term promptly after the change occurs.

1.16 Epoxy. The term "Epoxy" shall mean any epoxy formulae approved by Company for use in the Process.

1.17 Event of Transfer. An "Event of Transfer" means any actual or attempted transaction or series of related transactions that, directly or indirectly, voluntarily or by operation of law: (i) results, or if completed would result, in the sale, assignment, transfer, pledge, gift, encumbrance or alienation of any interest in this Agreement or the right to use the Names and Marks, or (ii) otherwise results in a Change of Control. An Event of Transfer includes, without limitation, any direct or indirect attempt to sell, assign, transfer, pledge, give away, encumber, or alienate (i) any interest in this Agreement, (ii) the right to use the Names and Marks granted pursuant to this Agreement, or (iii) all or substantially all of the assets of the Franchised Business, including, without limitation, Franchisee's leasehold rights. An Event of Transfer may occur by operation of law upon the issuance of an order dissolving Franchisee's marriage.

1.18 Field Training. The term “Field Training” refers to Company’s technical training program which Company agrees to provide on the site of Franchisee’s first two residential jobs for an aggregate period not to exceed 10 days (subject to Company’s right to modify Field Training at any time without notice), and may provide at other times during the Term in connection with the Authorized Services, upon Franchisee’s request, and by mutual arrangement of the parties for the additional fees described in this Agreement. Company may modify the Field Training program at any time without notice.

1.19 Gross Receipts. The term “Gross Receipts” shall mean the total amount of revenues, whether payment is actually received or promised in the future (whether or not memorialized by a promissory note or other type of financing instrument) from the sale of products or services in connection with the performance of Authorized Services, including (without limitation) revenues from the replacement of tub and shower valves, angle stops and supply lines, and any other revenues as a result of the application of Epoxy, use of equipment purchased or leased from Company to operate the Franchised Business or use of the Names and Marks. The parties further agree that:

(a) With respect to Authorized Services performed in limited commercial applications as described in this Agreement, Gross Receipts shall include all revenues from any source (including from the contemporaneous sale of other types of products or services outside the scope of the Authorized Services) in the same transaction with the same customer as the transaction involving the Authorized Services.

(b) With respect to Authorized Services performed in residential applications, Gross Receipts shall exclude revenues from the sale of hot water heaters, humidifiers, water softeners, sink or tub fixtures and any other types of products or services that are outside the scope of the Authorized Services.

(c) Gross Receipts shall exclude bona fide refunds (as permitted by the Confidential Manuals) and amounts collected from customers and remitted by Franchisee to any governmental taxing authority in satisfaction of sales taxes.

(d) If one ACE DuraFlo® franchisee (the “general contractor franchisee ”) subcontracts work to another franchisee (the “subcontracting franchisee ”), revenues from the subcontracted project shall be included in the Gross Receipts of the general contractor Franchisee, and not the subcontracting franchisee. These provisions apply to Franchisee whether Franchisee is the general contractor franchisee or subcontracting franchisee.

1.20 Initial Training Program. Company’s initial orientation class consisting of one week (5 days) of instruction covering pipe restoration basics and theory; the performance of Authorized Services; sales and marketing; and other key aspects of the Process and System of Operation, subject to Company’s right to modify the Initial Training Program at any time without notice.

1.21 Franchise. The term “Franchise” shall mean the right granted to Franchisee by Company to use the System of Operation and the Names and Marks designated by Company subject to the terms and conditions of this Agreement.

1.22 Franchised Business. The term “Franchised Business” shall mean the business franchised under this Agreement to perform the Authorized Services under the Names and Marks.

1.23 Local Advertising. The term “Local Advertising” means, without limitation, all communications in all formats which Franchisee creates or adapts and intends to use, directly or indirectly, to advertise and promote the Franchised Business, Franchisee’s status as an authorized Franchisee, or which display the Names and Marks. Local Advertising includes, without limitation: (i) written, printed and electronic communications; (ii) communications by website and equivalent electronic technology; (iii) communications by means of a recorded telephone message, spoken on radio, television or similar communication media; (iv) promotional items or promotional or publicity events; (v) listings in telephone or business directories; and (vi) the use of the Names and Marks on stationery, business cards, order forms, signs, merchandise, brochures, uniforms, and other tangible personal property.

1.24 Manager. The term “Manager” identifies one or more full-time employees of Franchisee each of whom has successfully completed Company’s Initial Training Program and whose job duties involve responsibility for supervising the day-to-day management of the Franchised Business.

1.25 Names and Marks. The term “Names and Marks” shall mean the commercial trade names, trademarks, service marks and other commercial symbols, including associated logos, and patents (if any), now or hereafter selected, used or promoted by Company in connection with the Authorized Services and designated by Company in writing to Franchisee.

1.26 Operating Territory. The term “Operating Territory” shall mean the non-exclusive geographic area described in **Schedule 1** to this Agreement.

1.27 Process. The term “Process” shall mean the technology used and franchised by Company for the repair and restoration of pipe lines, coating of pipelines against corrosion, and installation of pipelines pre-coated with Epoxy, for residential, commercial and industrial applications, all of which may be changed, improved, expanded and further developed from time to time by Company.

1.28 Provisional Remedies. The term “Provisional Remedies” shall mean any form of interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo.

1.29 Qualified Transfer. A “Qualified Transfer” means the transfer by Franchisee of all of his or her rights under this Agreement to a newly-formed Business Entity if all of the equity or voting interests of the new Business Entity will be owned by the person or persons identified as the Franchisee on the Signing Date.

1.30 Sales Manager. The term “Sales Manager” identifies one or more full-time employees of Franchisee each of whom has successfully completed Company’s Initial Training Program and whose job duties involve dedicating at least 50% of his or her time to selling and marketing the Authorized Services for Franchisee and the Franchised Business.

1.31 System of Operation. The term “System of Operation” shall mean the business methods franchised by Company to be used in connection with the operation of the Franchised Business and the performance of the Authorized Services. The “System of Operation” includes standards, specifications, methods, patents, procedures, techniques, management systems, identification schemes and information, all of which may be changed, improved and further developed from time to time by Company.

1.32 Term. The 10 year period beginning on the Signing Date.

II.

GRANT OF FRANCHISE AND RENEWAL OF FRANCHISE

2.01 Grant of Franchise.

(a) Subject to the provisions of this Agreement, Company grants to Franchisee a Franchise to utilize the Process, the Epoxy, the System of Operation and Names and Marks during the Term to perform and promote the Authorized Services in the Operating Territory and for no other purpose.

(b) Franchisee agrees that it has no right to (i) use or sell the Epoxy except incidental to the performance of Authorized Services; (ii) perform Authorized Services outside of the Operating Territory; (iii) market or solicit customers for Authorized Services by, among other activities, placing Local Advertising in media that circulates or broadcasts outside of the Operating Territory, except that it shall not be a breach of this Agreement for Franchisee to advertise in media with incidental and insignificant circulation or broadcast range outside of the Operating Territory; or (iii) market, solicit or advertise for restoration jobs that are outside the scope of the Authorized Services.

(c) If Franchisee wishes to perform Authorized Services outside of the Operating Territory, it may seek prior written permission from Company to do so on a job-by-job basis. Company shall have discretion in deciding whether or not to grant such approval and may impose any reasonable conditions upon any approval that Company grants. Any approval given to one request shall not obligate Company to approve Franchisee's subsequent requests to perform Authorized Services outside of the Operating Territory for other jobs.

2.02 Area and Scope of Operation. The franchise granted hereby is non-exclusive. Company shall not be restricted from engaging in, or authorizing others to engage in, any activity of any kind (whether Authorized Services or anything else) within or outside of the Operating Territory under any brand name. Without limiting the scope of the previous sentence, Franchisee understands that Company may, for example, grant franchises to other persons or Business Entities, including Company's Affiliates, to use the System of Operation, the Names and Marks, the Process and/or Epoxy, and may sell the Epoxy, to any person or Business Entity for any type of application or use, within or outside of the Operating Territory in Company's discretion.

2.03 Modifications and Deviations.

(a) Franchisee understands and agrees that Company may modify the System of Operation and the Process from time to time as often as, and in the

manner that, Company's believes, in its discretion, is necessary for the efficient performance of the Authorized Services in accordance with Company's quality standards and/or to best promote ACE DuraFlo® Authorized Businesses as a network to the public. Company shall give Franchisee written notice of all changes to the System of Operation and the Process as they occur. Franchisee shall, at its own cost and expense, promptly adopt and use only those parts of the System of Operation and the Process specified by Company and shall promptly discontinue the use of those parts of the System of Operation and the Process which Company directs are to be discontinued. Franchisee shall not change, modify or alter the System of Operation or the Process in any way, except as Company directs.

(b) Company may allow other franchisees to deviate from the System of Operation in individual cases in the exercise of Company's sole discretion. Franchisee understands and agrees that it has no right to object to any variances that Company may allow to itself, Company's Affiliates or other franchisees, and has no claim against Company for not enforcing the standards of the System of Operation uniformly. Franchisee understands and agrees that Company has no obligation to waive, make any exceptions to, or permit Franchisee to deviate from, the uniform standards of the System of Operation. Any exception or deviation that Company does allow Franchisee must be stated in writing and executed by Company in order to be enforceable against Company.

2.04 Expiration or Renewal. Company hereby grants Franchisee the right and option to renew the Franchise for an additional term of 5 years (the "Renewal Term"), subject to the following conditions

(a) Company must be granting new franchises in the state where the Operating Territory is located at the time when Franchisee is permitted to exercise the renewal option.

(b) Franchisee must give Company written notice of Franchisee's election to renew (the "Renewal Notice") at least 9 months, but not more than 12 months, before the expiration of the Term. The Renewal Term shall begin on the day immediately following the expiration of the Term. The Renewal Notice must be accompanied by payment of a non-refundable renewal fee of \$1,000.

(c) Franchisee must not be in default under this Agreement at the time it gives its Renewal Notice. Further, Franchisee must not have received more than 3 notices of default during any 24 month period during the Term, whether or not the notices relate to the same or to different defaults, and whether or not the defaults have each been timely cured by Franchisee.

(d) To exercise the renewal option, Franchisee shall execute Company's then-current form of Franchise Agreement, which contract shall supersede this Agreement in all respects; provided, however, (i) Franchisee shall have no further renewal rights even if Company's then-current form of Franchise Agreement provides for a renewal option; (ii) the term of the then-current Franchise Agreement shall be 5 years even if it specifies a longer or shorter term; and (iii) Franchisee shall not be required to pay the Initial Franchise Fee stated in the then-current Franchise Agreement, but shall instead pay the renewal fee described in this Section. Franchisee understands that other provisions of the then-current Franchise

Agreement may be materially different than this Agreement, including, without limitation, requiring payment of additional or different fees to Company. Franchisee shall additionally execute and deliver a general release in a form satisfactory to Company releasing any and all claims that Franchisee may then have against Company, Company's Affiliates and their respective officers, directors, shareholders, employees and agents. Franchisee's failure to execute and deliver the then-current Franchise Agreement and general release within 30 days after delivery of the documents shall constitute Franchisee's election not to exercise the renewal option.

(e) At Franchisee's expense, Franchisee shall satisfy Company's then-current training requirements, if any, applicable to renewing franchisees and upgraded the equipment that it uses to perform the Authorized Services to meet Company's then-current standards.

(f) If Company is in the process of revising, amending or renewing its franchise disclosure documents or registration to sell franchises in the state where the Operating Territory is located, or, under Applicable Law, cannot lawfully offer Franchisee its then-current form of Franchise Agreement at the time Franchisee delivers a Renewal Notice, Company may, in its discretion, offer to extend the terms and conditions of this Agreement on a day-to-day basis following the expiration of the Term for as long as Company deems necessary so that Company may lawfully offer its then-current form of Franchise Agreement; provided, however, nothing in this paragraph shall require Company to extend this Agreement if, at the time Franchisee delivers the Renewal Notice (i) Company is not granting new franchises to operate an ACE DuraFlo® Authorized Business in the state where the Operating Territory is located, or (ii) Franchisee is in default under this Agreement.

2.05 Delegation of Duties. In addition to Company's right to assign this Agreement, Company has the absolute right to delegate performance of any portion or all of its obligations under this Agreement to any third party designee of its own choosing, whether the designee is Company's Affiliate, agent or independent contractor. In the event of a delegation of duties, the third party designee will perform the delegated functions in compliance with this Agreement. When Company delegates its duties to a third party (in contract to when Company transfers and assigns all of its rights under this Agreement to a third party that assumes Company's obligations), Company will remain responsible for the performance of the third party to whom Company's duties are delegated.

III. INITIAL FRANCHISE FEE

3.01 Franchise Fee.

(a) Franchisee shall pay to Company an Initial Franchise Fee computed according to the following chart and the specific application being purchased by Franchisee and the population in the Territory on the Signing Date, which the parties have indicated on **Schedule 1**. The Initial Franchise Fee shall be due in full on the Signing Date and is non-refundable:

Application per Schedule 1	Initial Franchise Fee up to 1 Million Population in the Territory	Additional Initial Franchise Fee per Increment of 250,000 Population in the Territory
Residential/Limited Commercial	\$34,900	\$8,000
mini E™	\$19,900	\$5,000

(b) Company shall determine the population of the Operating Territory and any contiguous geographic area that it has agreed to annex to the Operating Territory by reference to available U.S. census data compiled by the federal Office of Management and Budget or comparable statistical information as Company shall deem appropriate in its sole discretion.

(i) For example, for the Residential/Commercial Application, if the population in the Operating Territory on the Signing Date is 2,500,000, the Initial Franchise Fee shall be \$82,900, and if the population in the Operating Territory on the Signing Date is 2,500,100, the Initial Franchise Fee shall be \$90,900.

(ii) For example, for the miniE™ Application, if the population in the Operating Territory on the Signing Date is 1,500,000, the Initial Franchise Fee shall be \$29,900, and if the population in the Operating Territory on the Signing Date is 1,800,100, the Initial Franchise Fee shall be \$39,900.

(c) If Company approves Franchisee's application to purchase both the mini E™ Application and the Residential/Commercial Application on the Signing Date, Franchisee shall pay an Initial Franchise Fee equal to the Residential/Commercial Application rate shown in the above chart. However:

(i) If Franchisee purchases only the mini E™ Application on the Signing Date and later during the Term receives Company's permission to expand the scope of Authorized Services by purchasing the Residential/Commercial Application, Franchisee shall pay an additional Franchise Fee equal to the sum of (i) the difference between the then-current Initial Franchise Fee that Company at that time charges new franchisees for the right to use the Residential/Commercial Application and \$19,900 (the Initial Franchise Fee which Franchisee paid for the mini E™ Application), and (ii) if the population in the Territory on the Signing Date is over 1 Million, the difference between (x) the then-current incremental Initial Franchise Fee and (y) \$5,000 per increment of 250,000 population over 1 Million population. The parties shall amend this Franchise Agreement to expand the scope of Authorized Services to include Residential/Commercial Applications. For example, if the population in the Operating Territory on the Signing Date is 1,500,000 and Franchisee later adds the Residential/Commercial Application and if the Initial Franchise Fee for the Residential/Commercial Application at that time is \$34,900 with an incremental fee of \$10,000 per 250,000

population over 1 Million, Franchisee would be required to pay Company an additional Franchise Fee of \$20,000 computed as the sum of (i) \$34,900 minus \$24,900, or \$15,000, plus (ii) \$10,000 minus \$5,000, or \$5,000.

(ii) If Franchisee purchases only the Residential/Commercial Application on the Signing Date and later during the Term receives Company's permission to expand the scope of Authorized Services by purchasing the mini E™ Application, Franchisee shall not be required to pay an additional Franchise Fee. The parties shall amend this Franchise Agreement to expand the scope of Authorized Services to include mini E™ Applications.

(d) If Franchisee is in compliance with this Agreement, after the Signing Date Franchisee may apply to Company in writing to expand the Operating Territory in which to perform the Authorized Services indicated on **Schedule 1** to include a specifically-described geographic area contiguous to the Operating Territory for an additional Franchise Fee for each population increment of up to 250,000 of population in an amount computed in accordance with the above chart, i.e., (i) \$8,000 for the Residential/Commercial Application; or (ii) \$5,000 for the miniE™ Application.

(i) For example, if the population in the contiguous geographic area is 650,000, the additional Franchise Fee for the Residential/Commercial Application would be \$24,000 and for the miniE™ Application would be \$15,000. If the population in the contiguous geographic area is 750,100, the additional Franchise Fee for the Residential/Commercial Application would be \$32,000 and for the miniE™ Application would be \$20,000.

(ii) Company shall have sole discretion to approve Franchisee's request and designate the new boundaries of the Operating Territory, which may vary from the boundaries in Franchisee's written request. If Company approves Franchisee's request and Franchisee accepts the boundaries that Company approves for annexation, the parties shall amend this Agreement in writing to identify the new boundaries of the Operating Territory determined by Company. The additional Franchise Fee shall be due and payable in full upon Franchisee's execution of the written amendment and is non-refundable.

(e) If the Authorized Services indicated on **Schedule 1** is the Residential/Commercial Application, Franchisee may apply to Company in writing during the Term to expand the Authorized Services to include the miniE™ Application, or if the Authorized Services indicated on **Schedule 1** is the miniE™ Application, Franchisee may apply to Company in writing during the Term to expand the Authorized Services to include the Residential/Commercial Application in each case by paying Company the Franchise Fees computed according to this Section based upon the population in the Territory at the time of Franchisee's written request.

Company shall have discretion to approve or reject Franchisee's application in Company's discretion.

IV. ROYALTY FEES

4.01 Royalty Fees.

(a) From and after the Signing Date, Franchisee shall pay to Company a nonrefundable fee equal to 8% of the first \$1,000,000 of Gross Receipts of the Franchised Business, and 6% of the Gross Receipts of the Franchised Business exceeding \$1,000,000 ("Royalty Fees"). The calculation of the applicable Royalty Fee rate shall be made on the cumulative Gross Receipts of the Franchised Business during the Term.

(b) If (i) Franchisee did not provide drain repair services before the Signing Date, (ii) Franchisee does not opt to enter into an addendum to this Agreement to offer Company's authorized drain repair product, and (iii) Franchisee begins performing drain repair services after the Signing Date, Franchisee understands that it shall be liable for, and agrees to pay, Royalty Fees on the Gross Receipts that Franchisee derives, directly or indirectly, from performing drain repair services (including from the sale of parts or equipment in connection with performing drain repair services) during the Term. The rate of Royalty Fees shall be the same rate that applies under subpart (a). If, at a later date, Franchisee opts to enter into an addendum to this Agreement to offer Company's authorized drain repair product, those drain repair services shall then be regarded as Authorized Services and subject to Royalty Fees at the rate stated in subpart (a).

4.02 Royalty Fees Payment Due Date. Royalty Fees payable hereunder shall be due weekly on or before Wednesday of each week, based upon the Gross Receipts of the Franchised Business for products and services sold by Franchisee during 7-day period ending on the Sunday **preceding the day payment is due.** Royalty Fees shall be paid, without offset, credit or deduction of any nature, by check or by such other method, including automatic bank debit, as Company may from time to time direct. Upon at least 14 days written notice, Company may (i) change the method of payment (including, without limitation, directing that payments be accomplished using a payment system that Company designates requiring pre-authorized transfers from Franchisee's designated bank account and electronic fund transfers to Company's account, special checks or comparable methods) or the payment period; or (ii) require that payment be made more, or less, frequently than weekly. Royalty Fees not received on the date due may be subject to a late fee of \$25, plus interest at the lesser of 1.5% per month or the maximum rate permitted by Applicable Law.

4.03 Taxes. If any sales, income, excise, use or privilege taxes is imposed or levied by any government or governmental agency on account of the payment of Royalty Fees by Franchisee under this Agreement, Franchisee shall pay to Company a sum equal to the amount of such tax as an additional earned service fee (but this provision shall not apply to any Company's liability for income taxes imposed under Applicable Law).

4.04 Receipts from Subcontract Work. If Franchisee performs any services as a subcontracting franchisee to a general contractor franchisee of Company, Franchisee shall notify Company within the earlier of 10 days after executing a contract for a new project, or 5

days after commencing work on the project. If Franchisee fails to timely report such subcontract work, then any revenues from such contract work shall be included in the Gross Receipts of the Franchised Business, notwithstanding any other provision of this Agreement.

V. ADVERTISING AND PROMOTION

5.01 Advertising Contributions. From and after the Signing Date, Franchisee shall pay to Company an advertising contribution equal to 1.5% of the Gross Receipts of the Franchised Business ("Advertising Contribution"). Advertising Contributions shall be calculated in the same manner as Royalty Fees and due and payable on the same day, and for the same period, as Royalty Fees.

5.02 Use of Advertising Contributions.

(a) Reasonable disbursements from the Advertising Fund shall be made solely for the payment of expenses incurred in connection with the general promotion of the Names and Marks and the ACE DuraFlo® franchise system, including: (i) costs associated with formulating, developing and implementing media advertising, public relations campaigns and promotional programs to develop brand awareness of the Names and Marks; (ii) costs to establish and maintain the ACE DuraFlo® web site; (iii) costs associated with implementing and maintaining a National Account Program should Company choose to implement one; and (iv) the reasonable cost of administering the Advertising Fund not to exceed 15% of the aggregate Advertising Contributions in any Calendar Year, including direct overhead costs, accounting expenses and costs to collect Advertising Contributions from delinquent franchisee s. There shall be no requirement that all or any part of the Advertising Fund be disbursed within any in the year, or other accounting period, that Advertising Contributions are contributed. Losses sustained, or gains accrued, in the Advertising Fund shall carry over to subsequent years. All interest, if any, earned by the Advertising Fund shall be retained as revenues of the Advertising Fund.

(b) Methods of advertising, selection of media, locale of advertising, and contents, terms and conditions of advertising campaigns and promotional programs shall be within the discretion of Company. While Company may from time to time petition its franchisee s, individually or as an advisory group, for input on expenditures from the Advertising Fund, and may agree from time to time to be bound by the decisions of an advisory group of franchisee s, Company shall not be bound to solicit such input, or be bound by decisions of such groups. Franchisee understands that such advertising is intended to maximize the public's awareness of the Process, System of Operations, Authorized Services and Names and Marks generally, and Company accordingly undertakes no obligation to ensure that any individual franchisee benefits directly or on a pro rata basis from the placement, if any, of such advertising in its local market. If requested by Franchisee, Company shall provide Franchisee an annual statement of the financial condition of the Advertising Fund.

(c) Disbursements from the Advertising Fund shall not be made for the payment of expenses incurred in connection with Company's direct marketing of franchises.

(d) Company shall have the right to photograph the Franchised Business, and to use these photographs in any advertising or promotional material without compensation to Franchisee. Franchisee shall cooperate in securing photographs and the consent of persons photographed.

(e) Company reserves the right to engage the professional services of an advertising agency that is owned by Company, Company's Affiliates or their respective owners.

(f) Advertising materials, forms, samples, supplies, products and services that are created through the application of Advertising Contributions may be made available to Franchisee at scheduled prices. The purchase price for products, supplies and services purchased by Franchisee from Company shall be payable upon receipt of an invoice.

5.03 ACE DuraFlo® Web Site. Company shall establish a web site to promote the Process, System of Operations, Authorized Services and Names and Marks, generate brand awareness, and identify all ACE DuraFlo® Authorized Businesses. Company will create and maintain a separate web page for the Franchised Business on Company's web site using Company's web page template. Company shall include information on Franchisee's web page specifically relating to the Franchised Business that Franchisee provides to Company.

(a) Franchisee shall not use the Names and Marks in any domain name or as a keyword in any type of search engine or comparable technology used to locate web sites on the Internet. If Franchisee maintains a separate web site with respect to other business activities that it is permitted to conduct during the Term, the parties shall observe the cross-linking policies set forth in the Confidential Manuals with respect to hyperlinks between Franchisee's web page on Company's web site and Franchisee's separate web site. Franchisee may not include any type of hyperlink or comparable feature on Franchisee's separate web site to Company's web site without Company's prior written consent.

5.04 Telephone Directory Advertising. At its own expense, Franchisee shall maintain white and yellow page listings for the Franchised Business in the form approved by Company, in the primary telephone directories servicing the Operating Territory. All telephone directory advertising shall conform to the requirements in the Confidential Manuals and shall be considered Local Advertising subject to Company's prior written approval.

5.05 Local Advertising.

(a) Company includes written guidelines for Local Advertising in the Confidential Manuals. Franchisee shall not use, disseminate, broadcast or publish any Local Advertising in any media channel (whether print, broadcast, electronic or digital, including, but not limited to, third party websites and social media websites), without first obtaining Company's written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Local Advertising. To apply for Company's approval of proposed Local Advertising, Franchisee shall submit a true and correct copy, sample or transcript of the proposed Local Advertising, together with a written business plan which explains the proposed media plan, promotional event or other intended use of the proposed Local Advertising. Company shall have 10 days from the date of receipt in which to approve or

disapprove of the submitted materials for the intended use. If written approval is not received by the end of 10 days, Company shall be deemed to have rejected the proposed Local Advertising. If written approval is given on or before the end of 10 days, Franchisee may use the proposed Local Advertising, but only in the exact form and manner submitted to Company.

(b) Franchisee shall have the right to determine the prices at which Franchisee sells all authorized products and services. Submission of a proposed Local Advertising to Company for approval shall not be for purposes of allowing Company to approve Franchisee's prices, over which Company shall have no control.

(c) At Franchisee's expense, Franchisee shall immediately remove from circulation and cease using any previously approved Local Advertising if Company determines, in its reasonable business judgment, that continued circulation or use may, or will, damage the integrity or reputation of the Names and Marks, is otherwise necessary to protect Company's reasonable business interests, or otherwise violates this Agreement or Applicable Law.

VI.

SITE SELECTION AND ESTABLISHMENT OF BUSINESS OFFICE

6.01 Business Office. If the parties have not designated the street address of Franchisee's Business Office on **Schedule 1** on the Signing Date when they execute this Agreement, Franchisee agrees that, within 90 days of the Signing Date, Franchisee shall (i) identify and obtain Company's prior written approval of the street address of the Business Office within the Operating Territory for the Franchised Business meeting the requirements of this Agreement, and (ii) set up the Business Office to receive and conduct business. Company shall have 30 days to review Franchisee's written site proposal for the Business Office and notify Franchisee of its approval or disapproval in writing. Company's failure to respond by the end of 30 days shall signify Company's disapproval. Upon receiving Company's approval, the parties shall execute **Schedule 1**. The Business Office must be ready to conduct and receive business before Franchisee performs the Authorized Services at its first job. Franchisee shall retain all of the original books, records, customer files, computer data, financial records and comparable data of the Franchised Business at the Business Office. With Company's prior written approval, Franchisee may locate the Business Office for the Franchised Business within the same office already established by Franchisee for a related business.

6.02 Design, Maintenance and Signage. While Company does not prescribe specific standards for the interior or exterior of the Franchisee's Business Office, the Business Office must be clean, tastefully decorated, and maintained in a manner designed to enhance the goodwill associated with the Names and Marks. Franchisee shall place an exterior sign at its Business Office identifying the Franchised Business meeting the criteria established from time to time by Company.

6.03 Permission to Relocate. Once established, the Business Office may not be moved without the prior written approval of Company, which approval shall not be unreasonably withheld.

6.04 No Office Outside Operating Territory. Franchisee shall not be allowed to maintain or use an office, branch office, referral office, or any other permanent or temporary office or location outside the Operating Territory.

VII. TRAINING AND ASSISTANCE

7.01 Initial Training Program.

(a) The parties shall mutually schedule the Initial Training Program to begin at the earliest possible opportunity after the Signing Date. Franchisee, a principal owner of Franchisee, or a designated Manager, and each person who is then employed by Franchisee and who will perform Authorized Services on Franchisee's behalf, must complete the Initial Training Program before Franchisee may perform, or commit to perform, Authorized Services.

(b) Each additional restoration technician whom Franchisee hires to perform Authorized Services and who does not complete the session of the Initial Training Program with Franchisee, Franchisee's principal owner or a designated Manager before Franchisee begins performing Authorized Services must complete another session of the Initial Training Program within 60 days of their hiring date. Franchisee shall notify Company in the manner prescribed in the Confidential Manuals of the identification of each person whom Franchisee hires to perform Authorized Services on its behalf.

(c) No person may assume the respective functions of Manager or Sales Manager of the Franchised Business unless and until he or she completes the Initial Training Program.

(d) Enrollment of replacement or new personnel in Company's training programs shall be by mutual arrangement of the parties and subject to the terms and conditions of this Agreement. Franchisee is solely responsible for the acts of its employees and independent contractors regardless of whether they have completed Company's initial training program or not.

(e) Company may modify the duration, location, content and method for delivering the Initial Training Program at any time without notice.

7.02 Additional Training. From time to time, Company may establish additional, ongoing training programs, which Franchisee and other ACE DuraFlo® Authorized Businesses may be required to attend. Such programs may, at Company's discretion, be provided at Company's offices or at another location designated by Company, or by telecommunications, Internet, or mail. Company reserves the right to require that designated personnel of Franchisee attend specific additional training programs; provided, however, Company shall not require that more than 2 persons whom Company shall designate each complete more than 2 days of additional training program during any 12 month period. As a condition to completing mandatory additional training, Franchisee shall pay Company's then-current tuition or training fee set forth in the Confidential Manuals, which shall not exceed \$500/person in any 12 month period. Company shall determine the location of any additional training that it offers and, at Company's discretion, may offer additional training in conjunction with an annual meeting of franchisees or separately.

7.03 Annual Meeting. Company may conduct an annual meeting for all ACE DuraFlo® Authorized Businesses at a location that Company selects to address recently-implemented changes in the Process, System of Operation or other topics of common interest to ACE DuraFlo® Authorized Businesses. Company will establish the agenda and length of the annual meeting, which shall not exceed 3 days in any 12 month period. Company may require the attendance of designated personnel, but in no event shall Company require Franchisee to send more than 2 persons to any annual meeting. Company may charge a registration fee to attend the annual meeting, which shall not exceed \$500/person. If Company conducts additional training at the annual meeting, Company shall not charge Franchisee an additional training fee in addition to the registration fee.

7.04 Field Training.

(a) Within 60 days after Franchisee, or Franchisee's principal owner, completes the Initial Training Program, and at a mutually scheduled time, Company shall send one of its technicians to the Operating Territory to provide Field Training to Franchisee and its personnel on site at the location of Franchisee's first two residential jobs for an aggregate period not to exceed 10 days. If Franchisee completes Field Training within 60 days after Franchisee, Franchisee's principal owner or a designated Manager completes the Initial Training Program, Company shall provide Field Training without charging any fee for Field Training. Otherwise, Franchisee shall pay a fee for Field Training equal to Company's then-current daily rate set forth in the Confidential Manuals. Franchisee understands that scheduling Field Training to be completed within the first 60 days after Franchisee, Franchisee's principal owner or a designated Manager completes the Initial Training Program, is by mutual arrangement and subject to Company's prior commitments. The parties agree to cooperate with each other in order to accommodate each other's schedules during this time period.

(b) With respect to all Field Training that Company provides any time during the Term, Franchisee shall reimburse Company, upon presentation of an invoice, for all of Company's actual direct costs for transportation, lodging, meals, and incidental expenses associated with Field Training. Franchisee understands that, if it is not able to schedule the first two residential jobs within consecutive weeks Company's actual direct costs associated with providing Field Training may be higher than if Franchisee is able to schedule the first two residential jobs within consecutive weeks as Company may incur extra transportation costs in connection with providing Field Training.

(c) Franchisee shall not be entitled to any type of credit for future Field Training if Franchisee is unable, for any reason, to schedule the first two residential jobs within the first 60 days after Franchisee, or Franchisee's principal owner, completes the Initial Training Program, or if Franchisee otherwise fails to complete Field Training within that 60-day time period, due to no fault of Franchisee.

(d) Should Franchisee require additional Field Training during the Term, Franchisee shall submit a written request to Company outlining the specific onsite support services sought. If Company has personnel available to provide additional Field Training, Company agrees to send a technician to the job site to provide the requested Field Training for the period agreed upon by the parties, for a fee equal to Company's then-current daily rate set forth in the Confidential Manuals, plus

reimbursement of Company's actual direct costs for transportation, lodging, meals, and incidental expenses associated with Field Training.

7.05 Training Fees; Travel, Living and Salary Expenses during Training.

During the Term, Franchisee may enroll a total of 6 employees without any additional charge, in a session of Company's Initial Training Program, which Company shall periodically repeat. For each additional person over 6 that Franchisee desires to enroll in a session of the Initial Training Program during the Term, Franchisee shall pay Company's then-current per person training fee set forth in the Confidential Manuals. For purposes of this Section, a person shall be counted as being enrolled in the Initial Training Program regardless of whether the person attends all, or only specific segments, of the Initial Training Program. Franchisee shall be responsible for all travel, living and salary expenses for its personnel to attend any of Company's training programs, whether it be a session of the Initial Training Program, Field Training, additional training, training provided at conventions or seminars, mandatory additional programs or otherwise. Franchisee understands that in order to obtain Field Training after the first 60 days following the date when Franchisee, or Franchisee's principal owner, complete the Initial Training Program, Franchisee must, among other conditions, pay a fee equal to Company's then-current daily rate set forth in the Confidential Manuals.

VIII.

SERVICING CUSTOMERS; APPLICATION OF THE PROCESS

8.01 Process. Franchisee may use the Process only to perform the Authorized Services and for no other purpose whatsoever. In using the Process and performing the Authorized Services, Franchisee shall comply with the specifications, instructions, requirements and policies of Company as set forth in the Confidential Manuals or otherwise communicated to Franchisee, which Company may revise at any time in Company's discretion without prior notice.

8.02 Epoxy. Franchisee shall purchase the quantities of the Epoxy that Franchisee requires to perform the Authorized Services only from Company or the supplier that Company designates and at the price and other terms of sale, shipment and delivery which Company or the supplier establish as stated on the order forms; provided, however, the price that Franchisee shall pay shall be the same as the price charged to similarly situated franchisees. Neither Company nor the supplier shall be liable to Franchisee or Franchisee's customers for delays or shortages in the supply of the Epoxy due to causes beyond their control. Franchisee's use of any substitute material for the Epoxy shall constitute a material breach of this Agreement.

8.03 Equipment Package. Within a 14 day period beginning on the last day of the Initial Training Program that Franchisee (or Franchisee's principal owner or a designated Manager) attends, Franchisee shall order approved equipment from Company on the terms of Company's standard order form. Franchisee shall use the approved equipment to perform the Authorized Services. Payment for the equipment shall be due prior to shipping. In addition to paying the cost of the equipment, Franchisee shall pay all sales, use and value added taxes with respect to the sale of the equipment, and all applicable shipping charges.

8.04 Samples and Records. Franchisee shall maintain records of all jobs with details regarding the application of the Epoxy in the manner directed by Company. In addition, Franchisee shall draw a sample of the Epoxy used on each job site in accordance with the guidelines and directions provided by Company from time to time with regard to sampling the Epoxy mixtures at job sites. All samples and documentation shall be available to Company

for inspection at any time upon reasonable notice and shall be maintained for the longer of (i) the length of any warranty period that Franchisee gives to its customer with respect to the Epoxy or the job in which the Epoxy is used; or (ii) the Term and any renewal term. Franchisee acknowledges that strict compliance with the provisions of this Section is required to preserve the manufacturer warranties on the Epoxy. Franchisee shall notify Company immediately of any breach in the requirements of this Section, but such notification shall not relieve Franchisee of the consequences of such breach.

8.05 Service Truck Requirements. Franchisee will maintain a sufficient number of service trucks to enable Franchisee to respond promptly to customers and transport equipment to job sites. Franchisee shall maintain the service trucks in good condition and repair and in accordance with Company's specifications and display Company's Names and Marks in the style and manner identified in the Confidential Manuals. If Franchisee uses the same service trucks in another business during the Term, Franchisee shall obtain Company's prior written consent to the size, placement and appearance of the Names and Marks on the exterior of Company's service vehicles in conjunction with the other business names that Company uses in its other business.

8.06 Uniforms and Identification. All of Franchisee's personnel performing Authorized Services or otherwise interacting with existing or prospective customers shall wear uniforms and identification badges specified by Company in the Confidential Manuals.

IX.

OPERATION OF THE FRANCHISED BUSINESS

9.01 Manager; Sales Manager.

(a) From the time that Franchisee, or Franchisee's principal owner, complete the Initial Training Program and for the remainder of the Term, at least one person designated by Franchisee shall qualify for and perform the duties of Manager of the Franchised Business. Franchisee shall keep Company informed of the identity of each of its Managers. Regardless of whether Franchisee designates one or more of its employees as a Manager of the Franchised Business, Franchisee will at all times be held responsible for the day-to-day management of the Franchised Business. Each person whom Franchisee designates as a Manager shall sign Company's then-current form of Confidentiality Agreement.

(b) From the time that Franchisee, or Franchisee's principal owner, complete the Initial Training Program and for the remainder of the Term, at least one person designated by Franchisee shall qualify for and perform the duties of Sales Manager of the Franchised Business. Franchisee shall keep Company informed of the identity of each of its Sales Managers. Regardless of whether Franchisee designates one or more of its employees as a Sales Manager of the Franchised Business, Franchisee will at all times be held responsible for all marketing and lead generation activities undertaken by its Sales Manager or other employees. Each person whom Franchisee designates as a Sales Manager shall sign Company's then-current form of Confidentiality Agreement.

9.02 Conduct of Franchised Business. Franchisee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and continuously use its best efforts to promote and enhance the Franchised Business and the goodwill

associated with the Names and Marks and Company's other intellectual property rights. Franchisee shall establish and maintain the highest standards of service to customers.

9.03 Staffing. Franchisee shall employ or retain the services of a sufficient number of competent employees or independent contractors and cause each of them to receive appropriate training to perform their job in accordance with the System of Operation. Franchisee is solely responsible for hiring, firing and establishing employment policies applicable to its employees and retaining, terminating and establishing the duties of any independent contractors that Franchisee retains. Franchisee is solely responsible for determining all compensation and benefits programs offered to its employees and independent contractors. This Agreement does not impose any controls, or otherwise impinge, on Franchisee's discretion with respect to the forgoing subject matters. Franchisee shall be responsible for the acts and omissions of its employees, independent contractors and agents, including, without limitation, its Managers and Sales Managers. Franchisee shall cause the Business Office to be staffed and open during regular business hours.

9.04 Compliance with Agreement, Confidential Manuals. Franchisee shall comply with (i) all rules, regulations, and directives contained in this Agreement or in the Confidential Manuals, as amended from time to time and adopt the merchandising, promotion, and advertising policies of Company; and (ii) all Applicable Laws pertaining to the operation of the Franchised Business. Company specifically reserves the right to modify or change such policies, procedures and directives including, but not by way of limitation, by changing or adding to the Confidential Manuals, by changing the Process and the equipment used in the Process.

9.05 Internet Access. Franchisee shall install and maintain, at its expense, a high speed Internet access account to maintain sales and marketing information, to transmit and receive marketing leads, to transmit and receive accounting information, to promote communication between Franchisee and Company.

9.06 Right to Inspect and Corrective Actions. Company and its designated representatives shall, during normal business hours, and without prior notice to Franchisee, inspect Franchisee's methods of operation, including, without limitation, observing and conducting discussions with Franchisee's employees and customers and performing customer surveys and conducting mystery shopping reviews, in order to verify Franchisee's compliance with this Agreement and the Confidential Manuals. Franchisee shall cooperate fully with Company's inspections and promptly cure all deviations from Company's standards, specifications and operating procedures which Franchisee is notified of either orally or in writing. If Company's inspection reveals Franchisee's noncompliance with Company's standards of quality or service, Company may, without waiving its right to declare Franchisee in breach of this Agreement, require that Franchisee or designated employees complete specified additional training classes at a location designated by Company. Franchisee shall pay the training fees and all of Company's actual direct costs for providing additional training as provided in this Agreement.

9.07 Confidential Manuals.

(a) In connection with the Franchised Business, Franchisee shall have the right to use Company's Confidential Manuals for as long as this Agreement is in effect subject to the terms of this Agreement. The Confidential Manuals are, and at all times shall remain, Company's sole property. Upon expiration, termination or an assignment of this Agreement, Franchisee will cease using or accessing and, in

accordance with Company's instructions will either promptly destroy or return to Company any physical copy or copies of the Confidential Manuals in Franchisee's possession. Franchisee shall treat all information contained in the Confidential Manuals as confidential, use all reasonable efforts to keep the information secret, and keep the Confidential Manuals in a secure place at the Business Office of the Franchised Business. Franchisee shall not, without Company's prior written consent, copy, duplicate, record or otherwise reproduce the Confidential Manuals, in whole or in part, or otherwise make the contents available to any person not requiring access in order to carry out his or her employment duties to Franchisee, with the exception that Franchisee may copy the forms in the Confidential Manuals that bear a legend indicating they may be copied by Franchisee.

(b) If Company furnishes the Confidential Manuals in electronic format, Franchisee will not share with any other person Franchisee's password or other login information necessary to access an electronic version of the Confidential Manuals or other information that Company maintains on any system-wide intranet or private computer network maintained by Company for the benefit of all ACE DuraFlo® Authorized Businesses. Franchisee will furthermore take steps to ensure that Franchisee's employees do not share their individual passwords or other login information that may be given to them with any other person. To the extent that Franchisee or Franchisee's employees have a reason to print out or copy any part of the Confidential Manuals, the copies must be kept on the premises at the Franchised Business in a locked desk or file cabinet and Franchisee will only grant access to the key or lock combination of the desk or file cabinet to a Franchisee employee or other person who is required to have access to the Confidential Manuals in order to carry out his or her employment functions.

(c) The Confidential Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to Franchisee's obligations under this Agreement. Company may modify the Confidential Manuals from time to time through written or electronic supplements to the Confidential Manuals or through other written or electronic communications delivered to Franchisee, and each supplement or communication shall become effective upon receipt or on the later date specified in the writing. If updates are provided by "hard" copy (as opposed to electronically or in some comparable format), Franchisee shall insert any updated pages in its copy of the Confidential Manuals upon receipt and remove the superseded pages and return them to Company within 5 days following receipt. The Confidential Manuals, as modified by Company from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Confidential Manuals or otherwise communicated to Franchisee in writing are expressly incorporated in this Agreement by this reference and made a part hereof. Franchisee shall fully comply with all mandatory requirements now or hereafter included in the Confidential Manuals, and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination.

9.08 Maintenance Contracts. At all times during the Term, at Franchisee's sole expense, Franchisee shall maintain service contracts with one or more reputable service companies designated or approved by Company for all air compressors and Epoxy mixers that Franchisee uses in the Franchised Business. The service contract for each air compressor shall (i) provide for remote monitoring and tracking of mechanical components and the

geographic location of the air compressor by the designated or approved service provider, and (ii) grant Company the right to access the monitoring service and to access and copy all of the service company's service records for the air compressor.

X. NATIONAL ACCOUNTS PROGRAM

10.01 National Accounts Program. Company may, in its discretion, establish and maintain a National Accounts Program, wherein Company will attempt to create interest in, and develop relationships with, regional or nationally focused companies that make or influence decisions with respect to pipe maintenance and restoration. Company shall have discretion to determine the referral policies and fees for Franchisee to participate in the National Accounts Program, which shall be set forth in the Confidential Manuals. As long as Franchisee is not in default under this Agreement and, in Company's reasonable business judgment, has the appropriate equipment, personnel, resources and training, Franchisee will be given the opportunity to accept jobs within its Operating Territory requiring the performance of Authorized Services pursuant to the rules of any National Accounts Program that Company may implement. If Franchisee's Operating Territory includes more than one franchisee or if Company or any of Company's Affiliates also operate in the same Operating Territory as Franchisee, Company shall adhere to the referral policies set forth in the Confidential Manuals and refer jobs from national accounts in accordance with that policy to either Franchisee, or another franchisee or Company's Affiliates according to who Company believes, in Company's reasonable business judgment, is best suited to perform the particular project in view of the project's size, technical requirements, deadlines for completion and other specifications. Company will attempt to allocate referrals requiring the performance of Authorized Services in the Operating Territory an orderly manner so that Franchisee and each other franchisee or Company's Affiliates equally qualified to perform the Authorized Services in the Operating Territory will receive a comparable number of referrals. However, Franchisee understands and agrees that Company does not represent or guaranty that, if Company implements a National Accounts Program, either the number of jobs referred to Franchisee, or the aggregate Gross Receipts of those jobs, will be equal to each other franchisee or Affiliates of Company also doing business in the Operating Territory. As Company shall have discretion to determine the referral policies of the National Accounts Program, Company shall not be liable to Franchisee for allocation decisions that Company makes in the exercise of its reasonable business judgment.

10.02 Acceptance of National Account Project. Franchisee shall not be required to accept any project referred to it under Section 10.01; provided, however, that if Franchisee refuses a project, it is not entitled to be referred a replacement project. If Franchisee accepts a project referred by Company, it shall abide by all published policies and procedures with respect to such account, including the pricing of such account, or any fees related thereto.

XI. WARRANTIES

11.01 Franchisee's Warranty.

(a) In selling the Epoxy and equipment to Franchisee, Company shall provide to Franchisee a limited warranty that the Epoxy and equipment each are free from all known manufacturing defects. The terms of Company's limited warranty shall be as set forth on the container or packaging containing the Epoxy and/or equipment.

Franchisee understands that the warranty runs only to Franchisee and that Franchisee's customers are not beneficiaries of the Company's warranty. Franchisee understands that Company makes no other warranties with respect to the Epoxy and no warranties shall be implied.

(b) Franchisee is not authorized to make any warranties to its customers about the Process, the Epoxy or Franchisee's work in the name of Company. Franchisee is responsible for all warranties that it chooses to give to its customers with respect to Franchisee's work, the Process, and Franchisee's application of the Process, but understands and agrees that it does so in its name only. Franchisee shall at all times, at its expense, take corrective action necessary to fulfill its warranty obligations to its customers and to reasonably satisfy its customers. If Franchisee does not respond in a timely and satisfactory manner to customer warranty claims, Company may, without waiving its right to declare Franchisee in breach of this Agreement, take corrective action, including completing the warranty work, and charge Franchisee for Company's costs in taking such corrective actions.

(c) If Franchisee believes that it has a claim under the limited warranty given by Company on the Epoxy or the equipment, Franchisee's sole remedy shall be to present the claim to Company in writing following the claim procedures set forth in the Confidential Manuals together with documentation supporting its claim and the expenses that Franchisee has incurred based on the alleged breach of Company's limited warranty. If Company agrees, in its reasonable business judgment, that Franchisee's claim demonstrates a breach of Company's limited warranty, Company shall reimburse Franchisee for its direct expenses on account of the breach of limited warranty. If Company establishes that the failure of the Epoxy or equipment is due to Franchisee's failure to follow Company's instructions regarding application and/or use, or if Franchisee fails to take or maintain a sample of the Epoxy as required by this Agreement, then Company's limited warranty to Franchisee shall be void and Franchisee shall, have no claim against Company with respect to the corrective action taken to satisfy Franchisee's customer.

XII.

NAMES AND MARKS; INFRINGEMENT CLAIMS

12.01 Use of Names and Marks. Franchisee shall operate under, and prominently display, the Names and Marks in the operation of the Franchised Business. Franchisee must adopt a trade name for the operation of the Franchised Business; provided, however, that if the trade name includes any of the Names and Marks, Company shall have the right to approve the trade name prior to its use by Franchisee and shall have the right to require Franchisee to modify that trade name if Company, in its discretion, determines the trade name is inappropriate or not reflective of Franchisee's position in the market vis à vis other ACE DuraFlo® Authorized Businesses. Franchisee shall use no commercial trade names, service marks, or other commercial symbols, including associated logos that do not satisfy the criteria established by Company. Franchisee shall not use any of the Names and Marks in combination with other words, letters, prefixes, suffixes, logos or designs, other than in the manner authorized by Company.

12.02 No Use of Names and Marks in Legal Name. If Franchisee is a corporation, limited liability company or partnership, Franchisee may not use any of the Names and Marks as part of the name of the corporation, limited liability company or partnership.

Franchisee shall file for and maintain a "Certificate of Trade Name" or comparable registration of doing business under the Names and Marks in the county, or other appropriate jurisdiction, in which the Franchised Business is located.

12.03 Modification of Names and Marks. From time to time, upon reasonable notice to Franchisee, Company may elect to discontinue the use of certain Names and Marks and to commence use of new Names and Marks. Franchisee shall pay all expenses incurred in connection with discontinuing the use of existing Names and Marks in the Franchised Business and commencing the use of new Names and Marks therein.

12.04 Prohibition Against Disputing Company's Rights. Franchisee acknowledges that its right to use the Names and Marks and other intellectual property that Company owns or franchises is derived solely from this Agreement. All use by Franchisee and any goodwill established thereby shall inure to the exclusive benefit of Company. Franchisee shall not at any time challenge the Names and Marks or Company's other intellectual property rights, or Company's ownership of or right to use or franchise the Names and Marks or the other intellectual property rights of Company that are the subject to this Agreement. In this Agreement, all references to Company's "other intellectual property" rights shall refer to Company's ownership of, and/or right to use, in addition to the Names and Marks, the information, ideas and rights now or in the future embodied within the scope of the Process, System of Operation and Confidential Information.

12.05 Termination or Expiration. Franchisee agrees that, upon the termination or expiration of this Agreement for any reason whatsoever, Franchisee shall forthwith discontinue the use of the Names and Marks and Company's other intellectual property, and thereafter shall no longer use, or have the right to use, the Names and Marks or Company's other intellectual property.

12.06 Infringement Claims.

(a) Franchisee shall immediately notify Company of any infringement of or challenge to Franchisee's use of present and future Names and Marks or Company's other intellectual property and shall not communicate with any other person in connection with any such infringement, challenge or claim. Company shall have discretion to take such action as it deems appropriate, including the exclusive control of any litigation or any Trademark Office or other administrative proceeding arising out of any such infringement, challenge or claim relating to any of the Names and Marks or Company's other intellectual property.

(b) Unless it is established that an infringement claim asserted against Franchisee is based, directly or indirectly, upon Franchisee's misuse of the Names and Marks, the Process or the System of Operation, Company agrees to defend Franchisee against the claim, provided Franchisee has notified Company immediately after learning of the claim and fully cooperates in the defense of the claim. Because Company will defend the claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Notwithstanding Company's agreement to defend Franchisee under the conditions stated in this paragraph, Franchisee understands and agrees that Company is not liable to indemnify or reimburse Franchisee for any liability, costs, expenses, damages or losses that Franchisee may sustain as a result of the claim, including, without limitation, for lost

profits or consequential damages of any kind, with the exception that Company shall reimburse Franchisee for Franchisee's actual direct costs to change any signs, uniforms or other materials that bear the Names and Marks upon Company's request, and (ii) if a judgment is rendered against Franchisee, indemnify Franchisee for the amount of the judgment. Franchisee shall assign to Company any claims that it may have against the third party asserting the infringement claim.

12.07 Requirement to Protect Integrity and Goodwill of Names and Marks and Company's Other Intellectual Property Rights. Franchisee shall take all actions reasonably necessary to maintain the integrity of the Names and Marks and Company's other intellectual property and preserve and protect the goodwill associated with the Names and Marks and Company's other intellectual property. These actions shall include, without limitation, the following:

(a) Use of the Names and Marks shall in every instance be accompanied by the appropriate trademark or service mark symbol indicating its registration status, i.e. "®", "™" or "SM", as specifically directed by Company. In addition, any and all brochures, advertisements, and other promotional materials bearing the Names and Marks shall contain statements proscribed from time to time by Company, referencing the Marks, and confirming the registration status and their ownership by Company or Company's Affiliates.

(b) Within 10 days after the date Franchisee receives notice of any customer or consumer complaint about the operation of the Franchised Business, Franchisee shall prepare and deliver to Company a written report that provides details relating to the nature of the complaint and any corrective action taken by Franchisee.

(c) The operation of the Franchised Business shall in all respects comply with the applicable rules and regulations of the various local, state, and federal agencies that regulate the repair and restoration of piping systems, or use of the Process.

XIII. EQUIPMENT AND SUPPLIES

13.01 Payment for Purchases from Company. Equipment, products, supplies, and services purchased by Franchisee from Company or Company's Affiliate shall be payable upon the receipt of an invoice. Fees or charges for products, supplies, or services sold to Franchisee by Company or Company's Affiliate that are not paid within 10 days of receipt of an invoice may be subject to a late fee of \$50 and shall bear interest at the lesser of 1.5% per month or the maximum rate permitted by Applicable Law. The imposition of a late fee and interest due to late payment is in addition to, and not in lieu of, Company's right to terminate this Agreement based on Franchisee's failure to pay invoices on time.

13.02 Purchase Requirements for Certain Equipment and Supplies.

(a) Franchisee shall purchase all critical equipment for the Process, including compressors, Epoxy mixer, sander, headers, pre-filters, filters, air dryers and Epoxy either from Company or Company's Affiliate, or from another designated or approved supplier.

(b) As of the date of this Agreement, Company is the exclusive supplier of the Epoxy mixer, sander, headers, pre-filters, filters, air dryers and Epoxy required to perform Authorized Services.

(c) As of the date of this Agreement, neither Company nor Company's Affiliates is a supplier of the compressor unit which is required to perform Authorized Services. Company will recommend an approved supplier for the compressor unit, but Franchisee may choose to purchase the compressor unit from an alternative supplier identified by Franchisee and approved by Company pursuant to the procedures in this Section.

(d) For other items of equipment and supplies besides the compressor unit where Company does not designate an exclusive supplier, Company shall provide Franchisee with specifications for the equipment and supplies and permit Franchisee to purchase the items either from a supplier recommended by Company or from an alternative supplier identified by Franchisee and approved by Company pursuant to the procedures in this Section. Franchisee may not perform Authorized Services using equipment or supplies that do not meet Company's specifications.

(e) During the term of this Agreement, Company may add to, modify, substitute or discontinue any exclusive supply or other types of purchasing arrangements that may be in place on the date of this Agreement and may change the specifications for, or add to, modify, substitute or delete, any equipment or supplies required to perform Authorized Services. For example, and without limitation, Company may (i) revoke its approval of a previously approved third party supplier; (ii) add new items of equipment or supplies required to perform Authorized Services, or change its specifications for required equipment or supplies; (iii) require that Franchisee purchase particular equipment or supplies from a designated exclusive supplier, which may be Company or Company's Affiliate; or (iv) identify items of equipment for which it will no longer be the exclusive supplier, in which case it may either designate a different exclusive supplier or will recommend at least one alternative supplier and allow Franchisee to purchase the equipment from any approved supplier. Franchisee shall conform to these changes with respect to purchase orders placed after the date of written notice from Company indicating the change, unless Company's written notice specifies a later implementation date. If Company withdraws its approval of a particular item of equipment or supplies for reasons relating to public health or safety, Franchisee shall cease using the equipment or supplies identified in Company's notice immediately or by the date indicated in Company's notice.

(f) Franchisee may not place a new order with a supplier after receiving written notice that Company's approval of the supplier has been withdrawn or revoked.

(g) Nothing in this Agreement shall obligate Company to reveal any trade secrets or other non-public information regarding any of the equipment for which Company or its Affiliate is the exclusive supplier or information regarding Company's relationship with suppliers, all of which Franchisee understands and agrees constitute Confidential Information.

13.03 Alternative Suppliers.

(a) If Company does not designate an exclusive supplier for equipment or supplies and Franchisee chooses not to purchase the item from a third party supplier recommended by Company, Franchisee must obtain Company's prior written approval to purchase the equipment or supplies from an alternative third party supplier pursuant to the procedures in this Section. To apply for Company's approval, Franchisee shall submit a written request to Company identifying the proposed equipment or supplies and the proposed third party supplier and, when appropriate, submit pictures or samples so that Company may evaluate if the item meets its specifications and quality standards and information supporting the proposed supplier's financial capability, business reputation, delivery performance and credit rating.

(b) Company will notify Franchisee in writing within 30 days after receiving all requested information if it approves the proposed item and/or supplier. Company's failure to timely respond shall constitute its disapproval. Each supplier approved by Company must comply with Company's usual and customary requirements regarding insurance, indemnification and non-disclosure.

(c) At any time, Company may revoke its approval of a supplier or item of equipment or supplies previously approved if, in Company's sole discretion, doing so is in the best interests of the System of Operations or Names and Marks. Revocation shall be effective immediately following receipt of Company's written notice and Franchisee may not place any new orders with the supplier or for the particular item of equipment or supplies following receipt of Company's written notice.

(d) Company makes no representation that the prices or other purchase terms of equipment and suppliers offered for sale by third party suppliers whom Company recommends will be more favorable than other third party suppliers.

13.04 Limitation on Liability. Company shall not be liable to Franchisee for damages caused by the failure of Company or an approved or recommended supplier to make available for purchase any item, unless the failure is the result of factors within Company's reasonable control.

XIV. RECORDS AND AUDITS

14.01 Records Required. Franchisee shall maintain complete and accurate records, accounts, books, data and reports of the Franchised Business, including data pertaining to customers of the Franchised Business, in the manner required by Company in its Confidential Manuals. Franchisee shall purchase and install hardware, with high speed Internet access, for use in the Franchised Business and shall maintain the computer system at the Business Office in accordance with the requirements of the Confidential Manuals. Franchisee acknowledges and agrees that Company shall own all information pertaining to the Franchised Business which Franchisee stores on any database or that is otherwise contained in any software systems used by Franchisee, and Company shall be allowed to access such information remotely and from Franchisee's computers maintained at the Business Office. If requested by Company, Franchisee shall transfer a copy of this information to Company.

Franchisee understands and agrees that all records and data pertaining to customers of the Franchised Business are the property of Company.

14.02 Segregation of Records. Franchisee shall document the business transactions and Gross Receipts of the Franchised Business in accordance with the reporting requirements set forth in the Confidential Manuals. Franchisee shall segregate the business transactions and Gross Receipts of the Franchised Business from the transactions and revenues of any other business that Franchisee is permitted to conduct during the Term, in order to enable Company to review and audit Franchisee's reporting and payment of Royalty Fees.

14.03 Bank Account. Franchisee shall deposit into a designated bank account which Franchisee identifies to Company on or before the Signing Date all revenues received by the Franchised Business in a timely manner (not less than once each week). At all times, Franchisee shall maintain a minimum balance of \$5,000 in that bank account. Franchisee shall notify Company of the bank in which the account is maintained, as well as the account number, and shall notify Company at least 10 days prior to making any material change in the account, including the name of any signatory on the account or the location of the account. At the option of Company, all amounts owing to Company by Franchisee, including amounts due for Royalty Fees, Advertising Contributions, products, supplies and equipment, will be payable by electronic funds transfer. Franchisee shall execute such documents as may be required from time to time by Company to permit Company to withdraw these amounts on their due date from Franchisee's general operating account.

14.04 Financial and Sales Reporting.

(a) After the Signing Date, Franchisee shall submit to Company periodic financial, operational and statistical reports and information as Company may require in order to enable Company to (i) monitor Franchisee's performance under this Agreement; (ii) develop chain-wide statistics; (iii) assess and modify the Process and the System of Operation; and (iv) respond to competitive and marketplace changes. Among other reports, Franchisee shall provide Company with weekly sales reports documenting the Gross Receipts of the Franchised Business together with other sales information which Company may, from time to time, reasonably request, and a weekly pending job report identifying all scheduled jobs which Franchisee intends to perform over the next 60 days from the date of the report. Weekly sales and pending job reports shall be submitted in the form and manner set forth in the Confidential Manuals on or before Wednesday of each week. Weekly sales reports shall disclose the Gross Receipts of the Franchised Business during the 7-day period ending on the prior Sunday, covering the same period used to calculate Royalty Fees.

(b) Additionally, Franchisee shall prepare and submit the following financial reports of the Franchised Business in the format prescribed in the Confidential Manuals: (i) within 30 days after the end of Calendar Quarter after the Signing Date, a profit and loss statement and balance sheet showing the results of operation during the prior Calendar Quarter just ended and cumulative information for the Calendar Year-to-date; and (ii) within 45 days after the end of each Calendar Year during the Term, a profit and loss statement and balance sheet as of the last day of the Calendar Year.

(c) Franchisee certifies that all reports, forms, records, information and data that Franchisee is required to maintain or submit, or voluntarily maintains or submits, or directs a third party to maintain or submit on its behalf, to Company, will be true and correct and not omit material facts that are necessary in order to make the information disclosed not misleading.

(d) Upon 30 days prior written notice, Company may require that Franchisee adopt an accounting system with prescribed software meeting the specifications set forth in the Confidential Manuals at an initial cost to purchase or lease that will not exceed \$2,500 per Franchise.

14.05 Audit.

(a) Company shall have the right to audit or cause to be inspected, audited, and copied the sales reports and financial statements delivered to Company, and the books, records and sales and income tax returns of Franchisee, including all information contained on Franchisee's computers used in operating the Franchised Business. Company's audit and inspection rights shall extend not only to the Franchised Business, but to the financial records, tax returns and computers of any other business that Franchisee operates during the Term. If Franchisee is a corporation, limited liability company or partnership and Company's inspection of Franchisee discloses errors in reported Gross Receipts of Franchisee, Company's audit and inspection rights shall also apply to the financial records, tax returns and computers of the owners, members or partners of Franchisee.

(b) If any audit discloses an understatement of the Gross Receipts of the Franchised Business for any period or periods, Franchisee, within 10 days of receipt of the audit report, shall pay to Company the Advertising Contributions and Royalty Fees, if any, due on the previously unreported Gross Receipts, plus interest from the due date at the maximum rate permitted by Applicable Law, not to exceed one and 1.5% per month. In addition, if an understatement for any period equals 2% or more of the Gross Receipts of the Franchised Business for the period, Franchisee shall reimburse Company for the cost of the audit, including, without limitation, the charges of any independent accountant and the travel expenses, room and board, and compensation of persons employed by Company to make the audit. Reimbursement to Company for the costs of the audit shall be made upon the receipt of an invoice therefor. Such costs not reimbursed within 10 days of receipt of an invoice shall bear interest from the due date at the maximum rate permitted by Applicable Law, not to exceed 1.5% per month.

XV. INSURANCE

15.01 Insurance Required. At all times during the Term Franchisee shall maintain in force, general comprehensive public liability insurance with a products liability endorsement protecting against claims for bodily and personal injury, death and property damage caused by, or incurred in conjunction with, the operation of, or conduct of the Franchised Business; motor vehicle liability insurance; and workers' compensation insurance. Franchisee understands and agrees that (i) the minimum insurance requirements set forth in this Agreement do not constitute a representation or warranty by Company that the minimum coverage will be sufficient for the Franchised Business, and (ii) Franchisee is solely responsible

for determining if the Franchised Business requires higher coverage limits or other types of insurance protection.

15.02 Policy Requirements. All insurance coverage required above shall be maintained under one or more policies of insurance containing the amounts and types of coverage from time to time prescribed by Company in the Confidential Manuals. Company may increase the minimum insurance requirements, establish and change deductible limits, require that Franchisee procure and maintain additional forms of insurance, and otherwise modify the insurance requirements contained in this Agreement based upon inflation, general industry standards, Company's experience with claims, or for other commercially reasonable reasons in the exercise of Company's reasonable business judgment. Franchisee shall comply with any change imposed by Company within 30 days after written notice from Company and shall submit written proof of compliance to Company upon request. All required insurance policies must be obtained from insurance companies rated "A- VIII" by Alfred M. Best & Company, Inc., or such other insurance companies approved in advance by Company. At a minimum, all required liability insurance policies must provide minimum coverage of \$2,000,000 per occurrence and \$3,000,000 aggregate for products and general liability. All required insurance policies shall name Company and Company's Affiliates as additional insureds and shall provide that Company receive 10 days' prior written notice of termination, expiration, reduction or cancellation of any such policy. Franchisee shall submit to Company, annually, and at any time upon 10 days' written notice from Company, a copy of the certificates of insurance or equivalent written proof of compliance with Company's insurance requirements. Maintenance of required insurance under this Agreement shall not relieve Franchisee of liability under the indemnity provisions set forth in this Agreement.

15.03 Failure to Maintain. If Franchisee at any time fails or refuses to maintain any insurance coverage required by Company, or fails to furnish satisfactory evidence thereof, Company, at its option and without any obligation to do so, may, without waiving its right to declare Franchisee in breach of this Agreement, obtain the insurance coverage on behalf of Franchisee, in which case Franchisee shall pay Company an amount equal to the premiums and related costs for the required insurance in full within 10 days following receipt of invoice, plus a 25% service charge on the cost of the insurance and an amount sufficient to reimburse Company for its actual direct costs in obtaining the required insurance.

XVI. CONFIDENTIALITY AND IMPROVEMENTS BY FRANCHISEE

16.01 Confidentiality.

(a) Company will disclose Confidential Information to Franchisee in furnishing Franchisee with the Confidential Manuals and may disclose Confidential Information in the course of performing other duties. Franchisee shall acquire no interest in any Confidential Information that Franchisee may learn or discover, other than a franchise to use certain Confidential Information to operate the Franchised Business subject to the terms of this Agreement. Franchisee's use, publication or duplication of Confidential Information for any purpose not authorized by this Agreement constitutes an unfair method of competition by Franchisee and, additionally, grounds for termination of this Agreement. Franchisee acknowledges that Company's business and the ability of Company and its other franchisees to compete for business is dependent on the preservation of the confidential nature of the Confidential Information, and that it is essential that Franchisee agree to maintain

such secrecy and confidentiality as a condition for Company to reveal the Confidential Information to Franchisee. Franchisee further acknowledges it would not have been extended the opportunity to become a franchisee of Company except for its agreement to maintain the Confidential Information as a trade secret.

(b) Franchisee agrees to: (i) confine disclosure of Confidential Information to those members of its management and those of its employees and agents who require access in order to perform the functions for which they have been hired or retained; and (ii) observe and implement reasonable procedures prescribed from time to time by Company to prevent the unauthorized or inadvertent use, publication or disclosure of Confidential Information. Franchisee shall deliver to Company a separate Confidentiality Agreement in the form required by Company executed by each person who now, or during the Term, is permitted to receive or have access to Confidential Information under this Agreement. All provisions of this Agreement concerning Confidential Information shall survive the expiration, termination or Franchisee's assignment of this Agreement.

(c) The restrictions against disclosure of Confidential Information shall not apply if disclosure is legally compelled in a judicial, arbitration or administrative proceeding if Franchisee has used its best efforts and given Company a reasonable opportunity to obtain appropriate protective orders or other assurance satisfactory to Company of confidential treatment for the information required to be disclosed.

(d) Franchisee understands and agrees that Company and Company's Affiliates will suffer irreparable injury not capable of precise measurement in money damages if any Confidential Information is obtained by any third party and used to compete with Company or in any other manner adverse to Company's or Company's Affiliates' interests. Accordingly, if a breach of any provision regarding use of Confidential Information occurs, Franchisee, on behalf of itself and each person signing a Confidentiality Agreement, hereby consents to the issuance or entry of appropriate Provisional Remedies, without the requirement that Company or Company's Affiliates post bond or comparable security. Franchisee further agrees that the award of Provisional Remedies to Company and Company's Affiliates in the event of such breach is reasonable and necessary to protect the goodwill of the Franchised Marks and Company's and Company's Affiliates' legitimate business interests.

16.02 Prohibition Against Challenging Company's Patents or Copyrights.

Franchisee will not challenge any trademark, patent or copyright registration or any trademark, patent or copyright application of Company or Company's Affiliates with respect to the Process, the System of Operation, or the Names and Marks, or any item related thereto, or the ownership of, or right to use or franchise the Process, the System of Operation, or the Names and Marks.

16.03 Improvements to System of Operation Developed by Franchisee. If

Franchisee, during the Term, Franchise suggests, conceives of or develops any improvements, modifications or additions to the System of Operation or the Process, or any new trade names, trade and service marks or other commercial symbols related to the Franchised Business, or any advertising and promotion ideas related to the Franchised Business ("Improvements"), Franchisee shall not disclose to others any information material to the Improvements or use the Improvements in connection with operating the Franchised Business or performing the Authorized Services without Company's prior written consent. As a condition of obtaining

Company's consent, Franchisee shall assign to Company or its designee all intellectual property rights, including without limitation, all patent and copyrights, in and to the Improvements without payment of any consideration. Company may use, and authorize others to use, the Improvements that Franchisee assigns to Company without compensation or Franchisee's permission. Franchisee shall cooperate with Company so that Company may register its ownership of the Improvements. Franchisee understands and agrees that nothing in this Agreement shall constitute or be construed as Company's consent or permission to Franchisee to modify the System of Operation, the Process or the Names and Marks.

XVII. EXCLUSIVE RELATIONSHIP

17.01 Non-Competition Restrictions Generally.

(a) Franchisee acknowledges that Company must be protected against the potential for unfair competition by Franchisee's use of Company's training, assistance and trade secrets in direct competition with Company. Franchisee further acknowledges that Company would not have entered into this Franchise Agreement or shared information with Franchisee concerning the Process, the System of Operation or other Confidential Information absent the agreements by Franchisee and each Covered Person set forth in this Article.

(b) Nothing in this Agreement forbids Franchisee or any Covered Person from owning less than 5% of the issued and outstanding shares of any class of stock of a publicly traded company, provided Franchisee or its owners are not actively involved in the management or operation of the publicly traded company and do not serve that business in any other capacity.

17.02 Non-Competition Restrictions During the Term of the Agreement.
During the Term, Franchisee shall not, directly or indirectly:

(a) Engage in a Competitive Business or perform services for a Competitive Business within or outside of the Operating Territory, whether as a director, owner, proprietor, officer, manager, employee, consultant, representative, agent, independent contractor or otherwise, except under a franchise agreement with Company;

(b) Have any direct or indirect interest in any Business Entity that is awarded, or is awarding licenses or franchises to others to operate a Competitive Business, except under a franchise agreement with Company;

(c) Engage in any activity to solicit, encourage or induce any customer of the Franchised Business to cease or limit its business relationship or encourage the customer to do business with any competitor wherever located; or

(d) Solicit, divert, take away or interfere with the business dealings, prospects, customers, clients, contractors, trade or patronage of Company or any other franchisee of Company wherever located.

17.03 Non-Competition Restrictions Following Expiration or Termination.

(a) For a period of 2 years following the expiration or termination of this Agreement (regardless of the cause for termination or the party exercising the right to terminate), Franchisee shall not, directly or indirectly, within the Covered Area engage in any of the things identified in Section 17.02 (a)-(e) which are forbidden during the Term.

(b) If Franchisee breaches the restrictions that apply during the 2 years following the expiration or termination of this Agreement, then, in addition to Company's other remedies under this Agreement and Applicable Law, Franchisee understands and agrees that the restrictions contained in this Section shall automatically be extended and shall continue for a period of 2 years from the date that Franchisee's breach ceases.

(c) Franchisee agrees that the restrictions in this Section that apply during the 2 years following the expiration or termination of this Agreement are reasonable and necessary to protect the interests of Company and other franchisees of Company and do not unduly limit Franchisee's ability to engage in gainful employment. The restrictions in this Section do not apply to the rights expressly granted to Franchisee under another franchise agreement with Company.

17.04 Non-Competition by Covered Persons. If Franchisee is a Business Entity, each Covered Person shall be bound by the same restrictions set forth in Sections 17.02 and 17.03 that apply to Franchisee both during the Term and for a period of 2 years following the expiration or termination of this Agreement (regardless of the cause for termination or the party exercising the right to terminate). However, in no event shall the restrictions set forth in Sections 17.02 and 17.03 continue to apply to a Covered Person after two years from the date that the Covered Persons ceases to own an interest in, or be associated in any capacity with, Franchisee. As a condition of this Agreement, unless they have already done so, Franchisee shall cause each Covered Person to execute Company's then-current form of Personal Covenant Agreement containing restrictions substantively identical to the provisions of this Agreement.

17.05 Enforcement. The parties acknowledge that the covenants set forth in this Article are independent of the other covenants and provisions of this Agreement. If any provision in this Article is void or unenforceable under Nevada law, but would be enforceable as written or as modified under the laws of the state in which the Operating Territory is located (the "Local Laws"), the parties agree that the Local Laws shall govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Agreement with respect to the subjects covered in this Article, but only with respect to those subjects. Franchisee expressly authorizes Company to conform the scope of any void or unenforceable covenant in order to conform it to the Local Laws. Franchisee expressly agrees, on behalf of itself and each Covered Person, to be bound by any modified covenant conforming to the Local Laws as if originally stated in this Agreement.

17.06 Survival. The covenants stated in this Article shall survive termination, expiration or the transfer of this Agreement.

XVIII. ASSIGNMENT

18.01 Assignment by Company. This Agreement is fully assignable by Company, and shall inure to the benefit of any assignee or other legal successor in interest of Company that agrees in writing to assume Company's obligations. Upon the assignment and assumption, Company shall have no further obligation to Franchisee.

18.02 Assignment by Franchisee. Franchisee understands and agrees that the Franchise that is awarded by this Agreement is a personal right, which is granted in reliance upon, among other considerations, the personal or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is a Business Entity, that of its officers, directors, general partners, LLC managing members and each person who is required by this Agreement to personally guaranty Franchisee's obligations to Company. Without Company's prior written consent, Franchisee shall not, directly or indirectly, attempt or complete an Event of Transfer either voluntarily or by operation of law except in accordance with this Agreement. Company agrees not to withhold its consent unreasonably if Franchisee satisfies the conditions applicable to a transfer identified in this Agreement. Any attempted or purported transfer which fails to comply with the requirements of this Agreement shall be null and void and shall constitute a material default of this Agreement.

18.03 Company's Right of First Refusal. Except with respect to (i) Qualified Transfers, and (ii) transfers to a Successor following death within the scope of Article XIX, if Franchisee, or a person owning equity or voting interests of Franchisee (the "Individual Transferor") receives a bona fide written offer ("Third Party Offer") to purchase or otherwise acquire an interest which will result in an Event of Transfer, Franchisee or the Individual Transferor, shall, within 5 days after receiving the Third Party Offer and before accepting it, apply to Company in writing for Company's consent to the proposed transfer. Additionally, the following conditions shall apply:

(a) Franchisee, or the Individual Transferor, shall attach to its application for consent to complete the proposed transfer a true and complete copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed assignment or that Company requests.

(b) Company or its nominee shall have the right, exercisable by written notice ("Notice of Exercise") given to Franchisee or the Individual Transferor, within 30 days following receipt of the Third Party Offer, all supporting information, and the application requesting Company's consent, in which to notify Franchisee or the Individual Transferor that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Company may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of any commission or fee otherwise payable to any broker or agent in connection with the Third Party Offer and all amounts then due and owing from Franchisee to Company, Company's Affiliates or the Advertising Fund under this Agreement or otherwise. All assets so purchased shall be free and clear of liens. If

any asset is pledged as security for financing that is then unpaid, Company may further deduct from the purchase price the remaining amount payable under the terms of financing.

(c) The closing shall take place at Company's headquarters at a mutually agreed upon date and time, but not later than 60 days following Company's receipt of the Third Party Offer, all supporting information, and the application for consent to transfer.

(d) At the closing, Franchisee or the Individual Transferor shall deliver to Company the same documents, affidavits, warranties, indemnities and instruments as would have been delivered by Franchisee or the Individual Transferor to the proposed transferee pursuant to the Third Party Offer. Additionally, Franchisee and the Individual Transferor shall deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, LLC managers and members, employees and agents.

(e) All costs, fees, document taxes and other expenses incurred in connection with the transfer shall be allocated between Franchisee and Company in accordance with the terms of the Third Party Offer, and any costs not allocated shall be paid by Franchisee or the Individual Transferor.

18.04 Conditions of Assignment to Third Party. If Company does not exercise its right of first refusal or complete the purchase of an interest which is the subject of a Third Party Offer, Franchisee may not complete the proposed Event of Transfer without obtaining Company's prior written consent. Any Event of Transfer or attempt to complete an Event of Transfer in violation of this provision is a material breach of this Agreement. The requirements of this paragraph do not apply to a Qualified Transfer. As a condition to issuing consent to the proposed Event of Transfer, all of the following conditions must be satisfied:

(a) The proposed transferee must submit a completed franchise application to Company and meet Company's then-current qualifications for new ACE DuraFlo® franchisees.

(b) The proposed transferee must execute a new Franchise Agreement in the form then used by Company in granting new franchises; provided, however (i) in lieu of the proposed assignee paying a new Initial Franchise Fee, the proposed assignee or Franchisee shall pay Company a transfer fee equal to 40% of Company's then current initial franchise fee; and (ii) the term of the new Franchise Agreement shall be equal to the remaining Term under this Agreement and the Renewal Term if the time to exercise the renewal option has not expired when Franchisee requests consent to transfer. If Company is not offering new franchises for ACE DuraFlo® Authorized Businesses in the state where the Operating Territory is located when Franchisee requests consent to transfer (x) the proposed transferee must agree in writing to assume all of Franchisee's obligations under this Agreement and succeed to Franchisee's rights under this Agreement; and (y) the transfer fee shall be \$10,000. Franchisee must simultaneously transfer its rights under all contracts whose continuation is necessary for operation of the Franchised Business to the same proposed transferee and satisfy any separate conditions to obtain any third party consents required for the transfer of Franchisee's rights to the proposed

transferee. If Franchisee owns and transfers more than one franchise simultaneously, as part of the same transaction, to the same proposed transferee, Franchisee shall pay a separate transfer fee for each of the separate franchises being transferred and comply with any additional transfer conditions set forth in the applicable Franchise Agreements. Franchisee's consummation of a transfer shall not relieve Franchisee of those obligations that expressly, or by their nature, survive the effective date of termination or expiration of this Agreement, including, without limitation, the provisions regarding non-disclosure of Confidential Information and those applicable to Franchisee and Covered Persons regarding competition.

(c) As of the date consent is requested and through the date of closing of the proposed transfer and assignment, Franchisee must not be in default under this Agreement and must be current with all monetary obligations owed to third parties, including (without limitation) Company's Affiliates. All contracts by and between Franchisee and the proposed transferee shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Company and Company's Affiliates are fully satisfied. Franchisee must execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, LLC managers and members, employees and agents.

(d) Franchisee must execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company, Company's Affiliates and their respective officers, directors, shareholders, LLC managers and members, employees and agents.

(e) The proposed transferee must designate at least one Manager and one Sales Manager. The designated Manager and Sales Manager, together with the proposed transferee or its principal owner, and each person who is then employed by the proposed transferee and will perform Authorized Services on the proposed transferee's behalf, must complete Company's then-current Initial Training Program at a time to be arranged with Company. The proposed transferee shall pay Company's then-current per person tuition or training fee for each person who attends the Initial Training Program in connection with the transfer, in the amount set forth in the Confidential Manuals and shall be responsible for all travel, lodging and salary expenses for its personnel to attend the Initial Training Program, in addition to the transfer fee described in this Section.

18.05 No Release. Neither Company's exercise of its right of first refusal nor its consent to an Event of Transfer shall operate to release Franchisee or the Individual Transferor from this Agreement.

XIX. QUALIFIED TRANSFERS AND TRANSFERS UPON DEATH

19.01 Qualified Transfers. Before completing a Qualified Transfer, Franchisee must do all of the following: (i) provide Company with written notice of its intent to complete a Qualified Transfer; (ii) when the Qualified Transfer is to a newly-formed Business Entity, deliver the documents which this Agreement requires be delivered by a Business Entity that is the Franchisee ; and (iii) pay a transfer fee of \$1,500. The Qualified Transfer shall not be effective

unless and until Franchisee satisfies conditions (i), (ii) and (iii). Company shall not have a right of first refusal with respect to a Qualified Transfer, nor shall Company's prior written consent to a Qualified Transfer be necessary if Franchisee satisfies the conditions stated in this Section.

19.02 Business Entity Franchisee. If Franchisee is a Business Entity, Franchisee shall furnish to Company, upon execution of this Agreement or at such other time as transfer to the Business Entity is permitted, a copy of its articles of incorporation, by-laws, operating agreement, partnership agreement or other governing agreement, and a list of all persons owning an interest in the equity or voting interests of the Business Entity. Additionally, Franchisee shall promptly provide Company with a copy of any amendments to, or changes in, the documents or other information during the Term. Franchisee shall maintain stop transfer instructions against the transfer on its records of any equity or ownership interests. Each certificate representing an ownership interest in Franchisee shall bear a legend, in the form stated in the Confidential Manuals, that it is held, and further assignment or transfer thereof is, subject to all restrictions imposed upon transfer set forth in this Agreement. The chief financial officer of Franchisee shall deliver a certificate to Company annually, when Franchisee's annual financial statements are delivered, which lists all owners of record and all beneficial owners of any interest in the equity or voting interests of Franchisee and identifies all transfers of equity or voting interests in Franchisee which have occurred during the period covered by the annual financial statement.

19.03 Death. If Franchisee is an individual and dies, or if Franchisee is a Business Entity and there is a Change of Control due to the death of one of Franchisee's owners, the spouse, heirs or personal representative of the deceased Franchisee, or the Franchisee's remaining shareholders, members, partners or owners, as appropriate to the circumstance (collectively referred to as the "Successor") shall have 180 days from the date of death in which to complete a transfer in accordance with the conditions applicable to transfer stated in this Agreement. A Successor may purchase the interest owned by the deceased person if the Successor satisfies all of the conditions to transfer stated in this Agreement. During the period that the Successor operates the Franchised Business, the Successor shall perform all of the obligations of Franchisee under this Agreement. At the end of the 180-day period, if the Successor has not purchased the Franchise or obtained Company's consent to a transfer to a third party in satisfaction of all of the conditions applicable to transfer stated in this Agreement, Company may, at its election, terminate this Agreement. Company agrees to waive its right of first refusal as provided in this Section if the proposed transferee is a person who falls within the category of Successor as defined in this subsection.

XX.

PRE-TERMINATION OPTIONS OF THE FRANCHISOR

20.01 Pre-Termination Options. Prior to the termination of this Agreement, if Franchisee fails to pay any amounts owed to Company or its Affiliates, or fails to comply with any term of this Agreement, then in addition to any right Company may have to terminate this Agreement or to bring a claim for damages, Company shall also have the option:

- (a) To suspend the listing of the Franchised Business from any advertising, promotions or listings sponsored or distributed by Company, including such items as may be paid for in whole or in part by the Advertising Fund;

(b) To cease providing any referrals to Franchisee, without any right of Franchisee to receive additional “make-up” referrals if Franchisee brings itself into compliance with this Agreement; and

(c) To suspend all services provided to Franchisee under this Agreement or otherwise, including but not limited to training, marketing assistance, and the sale of marketing materials and other products and supplies.

20.02 Effect of Pre-Termination Options. Company's actions as outlined in this Section may continue until Franchisee has brought its accounts current, cured any default, and complied with Company's requirements, and Company has acknowledged the same in writing. The taking of any of the actions permitted in this Section shall not suspend or release Franchisee from any obligation that would otherwise be owed to Company or its Affiliates under the terms of this Agreement or otherwise. Franchisee acknowledges that such actions would not impair Franchisee's ability to continue in business and will not constitute a constructive termination of this Agreement.

XXI. TERMINATION

21.01 Termination by Franchisee. Franchisee may terminate this Agreement (and the Franchise granted hereunder) effective 10 days after delivery to Company of notice of termination, if Franchisee is in compliance with this Agreement and Company breaches this Agreement and fails to cure the breach within 30 days after written notice of the breach is delivered to Company.

21.02 Termination by Company. Company may terminate the Franchise Agreement effective immediately upon receipt by Franchisee of written notice of termination, if:

- (a) Franchisee uses any substitute material for the Epoxy;
- (b) Franchisee voluntarily abandons the Franchise by failing to operate the business for five consecutive days during which Franchisee is required to operate the business under the terms of the Franchise Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for Company to conclude that Franchisee does not intend to continue to operate the Franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond Franchisee's control.
- (c) Franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the Franchised Business;
- (d) Franchisee or the business to which the Franchise relates is declared bankrupt or judicially determined to be insolvent, or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or Franchisee admits its inability to pay its debts as they come due;
- (e) Company and Franchisee agree in writing to terminate the Franchise;

(f) Franchisee, after curing any failure for which Franchisee is given 30 days' notice and an opportunity to cure, engages in the same noncompliance, whether or not such noncompliance is corrected after notice;

(g) Franchisee makes an unauthorized assignment or transfer of the Franchise Agreement, the Franchised Business, or the Franchise;

(h) Franchisee makes any material misrepresentations relating to the acquisition of the Franchise;

(i) Franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the ACE DuraFlo® system;

(j) Franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any provision of Applicable Law relevant to the operation of the Franchise Business or use of the Process or the Epoxy;

(k) A levy of execution has been made upon the franchise granted under the Franchise Agreement and it is not discharged within five days of such levy;

(l) Company makes a reasonable determination that continued operation of the Franchise by Franchisee will result in an imminent danger to public health or safety;

(m) Franchisee fails to submit financial statements, sales information or other supporting records as set forth herein for a period of 30 days after they are due or submits to Company two or more sales reports, financial statements, other information, or supporting records in any period of 12 consecutive months which understate by 2% or more the Gross Receipts of the Franchised Business, or materially distort any other material information;

(n) Franchisee receives, during any consecutive 24 month period, 3 or more notices of default (whether or not the notices relate to the same or to different defaults and whether or not the defaults were timely cured by Franchisee ; or

(o) Franchisee fails to maintain Company's protocols with respect to the duty to maintain and control Epoxy samples.

21.03 Termination by Company Based Upon Failure to Cure. Company may also terminate this Agreement if Franchisee breaches, or refuses to perform, any obligation arising under this Agreement not specifically identified in this Article and fails to cure the breach or nonperformance within 30 days after receiving written notice of default specifying the nature of Franchisee's breach or nonperformance and the cure required. This provision expressly extends, without limitation, to (i) Franchisee's failure to pay any fees or other sums due to Company or Company's Affiliates, and (ii) Franchisee's breach, or failure to comply with, any mandatory operating procedure, specification or standard prescribed by Company in the Confidential Manuals or otherwise communicated to Franchisee. Company may terminate this Agreement, in its discretion and election, effective upon written notice which Franchisee may give any time after the end of the cure period if Franchisee fails to cure the breach or nonperformance cited in the notice of default within the cure period allowed by Company.

21.04 Applicable Law. If the provisions of this Agreement provide for periods of notice less than those required by Applicable Law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with Applicable Law, such provisions shall, to the extent such are not in accordance with Applicable Law, be superseded by the appropriate provision of Applicable Law, and Company shall comply with Applicable Law in connection with each of these matters.

21.05 Requirements of Franchisee Upon Termination or Expiration. Franchisee agrees, upon termination or expiration of the Franchise, to immediately:

(a) return to Company all copies of all Confidential Manuals and other materials and property belonging to Company, whether in printed or electronic format, that have been loaned to it by Company, and any material marked as property of Company or as confidential;

(b) return any software which Company may provide, loan or provide to Franchisee and all marketing and other materials bearing the Names and Marks;

(c) transmit to Company, in a form requested by Company, all information of Franchisee contained in the database for the Franchised Business referenced in Section 14.01 of this Agreement;

(d) inform Company of all pending job orders, or jobs in the process of being completed involving the application of the Process, and provide such information to Company as Company may request in order to assign those projects to other persons. Franchisee shall thereafter take no action to interfere with the reassignment of such projects, nor shall Franchisee accept any contract for, or commence, any new jobs or applications of the Process. and

(e) execute and deliver a general release, in form satisfactory to Company, of any and all claims against Company and its officers, directors, shareholders, employees and agents.

21.06 Payments Following Expiration or Termination.

(a) Within 5 days after the effective date of termination or expiration of the Franchise, Franchisee shall pay to Company such Royalty Fees, Advertising Contributions and other charges that are due through the effective date of termination or expiration of the Franchise and are then unpaid and all amounts due for printed materials, forms, advertising material, samples, supplies, products and services supplied by Company. Additionally, Royalty Fees and Advertising Contributions shall continue to be due and payable (and late charges shall continue to be assessed) after the effective date of termination or expiration of this Agreement until the date that Franchisee completes all post-termination obligations required by this Agreement.

(b) When termination is based upon Franchisee's default, Franchisee shall also pay Company an amount equal to Company's costs and expenses and reasonable attorneys' fees incurred in enforcing the default and termination. Franchisee's payments shall be accompanied by all reports required by Company regarding business transactions and the results of operations through the effective

date of termination or expiration of this Agreement or until the date that Franchisee completes all post-termination obligations required by this Agreement, whichever occurs later.

21.07 Business Records. Following the effective date of termination or expiration of this Agreement for any reason, Franchisee shall keep and maintain all business records pertaining to the Franchised Business, the Epoxy and the equipment for the remainder of any warranty period that Franchisee has given to its customers before the effective date of termination or expiration, as required by this Agreement. During this period, Franchisee shall permit Company to inspect and copy the business records as frequently as Company deems necessary to enforce this Agreement.

21.08 Cessation of All Use of Confidential Information, Names and Marks. Upon termination, expiration or assignment of the Franchise, Franchisee shall expeditiously take such action as may be required to cancel all assumed name or equivalent registrations relating to the use of the Names and Marks, telephone directory listings and advertising and promotional activities which associate Franchisee with Company. If Franchisee fails to do so, Franchisee hereby authorizes Company to take all action reasonably necessary to accomplish the foregoing. After the termination, expiration or an assignment of the Franchise, Franchisee shall not directly or indirectly (i) suggest or imply in any manner, that it is, or ever was, affiliated with Company in any capacity, or identify itself as a current or former franchisee of Company or otherwise then, or previously, associated with, Company, or (ii) use, in any manner or for any purpose, any part of the System of Operation, the Process, the Names and Marks, or any other indicia of an ACE DuraFlo® business. Continued use by Franchisee of any of the foregoing shall constitute willful trademark infringement and unfair competition by Franchisee. Franchisee authorizes Company, and appoints Company as its attorney-in-fact, to take all action to complete the foregoing duties in Franchisee's name if Franchisee fails to do so and recover its direct costs, if any, from Franchisee.

21.09 Removal of Signage. Immediately upon termination or expiration of the Franchise, Franchisee shall cause all interior and exterior signs identifying the Business Office as an ACE DuraFlo® business, and ACE DuraFlo® signs or logos appearing on any vehicles, to be removed. If Franchisee fails to remove the sign(s), Company shall be entitled to remove the sign(s), without prior notice to Franchisee.

21.10 Right To Purchase Equipment.

(a) After the termination or expiration of the Franchise or any other time Franchisee desires to sell or dispose of equipment owned by Franchisee and used to conduct the Franchised Business, Franchisee must first offer to sell to Company said equipment. Company shall have a reasonable period of time, not to exceed 30 days from the effective date of termination or expiration or from the date that Franchisee gives Company written notice of its desire to sell or dispose of the equipment, in which to inspect the equipment. Company may, but is not obligated to, purchase all, or specific items, of the equipment for a purchase price equal to a percentage of Franchisee's original cost ("Franchisee's Equipment Cost") and Franchisee shall present appropriate documentation showing Franchisee's Equipment Costs, as follows:

If Company exercises its option to purchase the item of equipment within the following anniversary of the date of Franchisee's original purchase of the equipment:	Percentage of Franchisee's Equipment Cost to be Paid By Company
Before the first anniversary of Franchisee's purchase	60% of Franchisee's Equipment Cost
After the first anniversary, and before the second anniversary of Franchisee's purchase	40% of Franchisee's Equipment Cost
After the second anniversary, and before the third anniversary of Franchisee's purchase	30% of Franchisee's Equipment Cost
After the third anniversary, and before the fourth anniversary of Franchisee's purchase	20% of Franchisee's Equipment Cost
After the fourth anniversary, and before the fifth anniversary of Franchisee's purchase	10% of Franchisee's Equipment Cost

(b) With respect to the equipment that Company selects to purchase, Company shall have the absolute right to set off from the purchase price all sums then owed by Franchisee to Company under this Agreement, including damages, costs and expenses and reasonable attorneys' fees in enforcing any default and termination, and under Applicable Law, as well as all amounts then due and owing to Company's Affiliates. The right to set off shall not limit Company's remedies under this Agreement or Applicable Law. Franchisee shall deliver possession of the equipment purchased by Company upon Company's payment of the net purchase price.

21.11 Survival of Certain Obligations. All obligations of Company and Franchisee that expressly or by their nature survive the expiration or termination of the Franchise shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement until they are satisfied in full or by their nature expire.

21.12 Third Party Rights; Available Remedies. No person acting for the benefit of Franchisee's creditors or any receiver, trustee in bankruptcy, sheriff or any other officer of a court or other person in possession of Franchisee's assets or business shall have the right to assume Franchisee's obligations under this Agreement without Company's prior consent. Company's right to terminate this Agreement shall not be its exclusive remedy in the event of Franchisee's default, and Company shall be entitled, in its discretion and election, alternatively or cumulatively, to affirm this Agreement in the event of Franchisee's default and obtain damages arising from the default, Provisional Remedies to compel Franchisee to perform its obligations under this Agreement or to prevent Franchisee from breaching this Agreement, and any other remedy available under Applicable Laws.

XXII.

ENFORCEMENT AND DISPUTE RESOLUTION

The parties hereby agree to be governed by the dispute resolution procedures in **Schedule 3**.

XXIII.

RELATIONSHIP OF PARTIES/INDEMNIFICATION FRANCHISEE'S REPRESENTATIONS; PERSONAL GUARANTY

23.01 Relationship of Parties. This Agreement does not create a fiduciary relationship between the parties, nor does it make either party a general or special agent, joint

venturer, partner or employee of the other for any purpose. With respect to all matters, Franchisee's relationship to Company is as an independent contractor. Franchisee understands and agrees that it is the independent owner of the Franchised Business and in sole control of all aspects of its operation, and shall conduct its business using its own judgment and discretion, subject only to the provisions of this Agreement. Franchisee shall conspicuously identify itself in or on all signs, advertising, promotional materials, order forms, inspection reports and in its dealings with suppliers, customers and other members of the public as the owner of the Franchised Business operating under a franchise from Company. Franchisee shall not represent or imply to any person that this Agreement authorizes Franchisee to act as agent for Company.

23.02 Indemnity by Franchisee. Franchisee shall indemnify and hold Company, Company's Affiliates and their respective managing members, officers, directors, shareholders, employees, agents, successors and assigns, harmless from and against any and all costs, expenses, losses, liabilities, damages, causes of action, claims and demands whatsoever, arising from or relating to any act or omission by Franchisee, its Affiliates or their respective managing members, officers, directors, shareholders, employees, agents, successors and assigns, whether or not arising from bodily injury, personal injury or property damage, the sale of products or services, or any other violation of the rights of others, or in any other way. Franchisee's obligation to indemnify Company shall extend, without limitation, to all claims for actual and consequential damages, and Company's costs and expenses incurred in defending any third party claim covered by Franchisee's indemnification, including, without limitation, attorneys and other professional fees, court costs, and travel and living expenses. Company shall have the right to retain its own counsel to defend any third party claim asserted against it which is covered by this Indemnification Agreement. Company's retention of interdependent counsel shall, in no manner or form, diminish Franchisee's obligation to indemnify Company and to hold it harmless. Company shall not be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim against Franchisee under Franchisee's indemnification agreement. If a decision rendered in any matter covered by Franchisee's indemnification is against Franchisee or Company, and Company desires to appeal the decision, Franchisee may notify Company within 10 days of the date of the decision of its intent to abide by the decision, in which event, Franchisee shall pay Company the amount required by this Section, and all future costs related to the appeal or settlement of the claim shall be Company's sole responsibility. Franchisee's indemnification obligation shall survive the expiration, termination or assignment of this Agreement for any reason.

23.03 Representations by Franchisee. To induce Company to enter into this Agreement, Franchisee makes the representations in **Schedule 4**.

23.04 Personal Guaranty. If Franchisee is a Business Entity, each person who on the Signing Date owns, and each person who during the Term acquires, either legally or beneficially, 10% or more of the equity or voting interests of Franchisee shall furnish any financial information reasonably required by Company and execute Company's form of personal guaranty. An event of default under this Agreement shall occur if any guarantor fails or refuses to deliver to Company, within 10 days after Company's written request (i) evidence of the due execution of the personal guaranty, and (ii) current financial statements of guarantor as may from time to time be requested by Company.

XXIV.
GOVERNING LAW/BINDING EFFECT/CONSTRUCTION/WAIVER/NOTICES

24.01 Successors and Assigns. This Agreement is binding upon the parties hereto, their respective heirs, assigns and successors in interest.

24.02 Entire Agreement; Modification.

(a) This Agreement, including the exhibits, which are hereby incorporated into this Agreement by this reference, sets forth the entire agreement between the parties, fully superseding any and all prior agreements or understandings, whether oral or written, between them pertaining to the subject matter hereof. No amendment, change, modification or variance to or from the terms and conditions set forth in this Agreement shall be binding on any party unless it is set forth in writing and duly executed by each party. However, nothing in this Agreement or any related agreement is intended to disclaim the Company's representations made in the Company's disclosure document.

(b) There are no representations, warranties, promises or inducements, either oral or written, except those contained in this Agreement. However, nothing in this Agreement, the exhibits or any related agreement or document is intended to disclaim representations which Franchisee acknowledges has been furnished to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of its independent investigation of the franchise opportunity and not as a result of any representations about Company made by any of Company's officers, directors, shareholders, employees, agents, representatives or independent contractors that are contrary to the terms set forth in this Agreement or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee under Applicable Law.

24.03 Paragraph Headings; Language. The paragraph headings in this Agreement are inserted for convenience only and shall not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement. The language used in this Agreement shall in all cases be construed simply according to its fair meaning and not strictly for or against Company or Franchisee. The term "Franchisee " is applicable to one or more persons or Business Entities if the interest of Franchisee is owned by more than one, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee hereunder, whether or not as partners or joint venturers, their obligations and liabilities to Company shall be joint and several. Nothing in this Agreement is intended, nor shall it be deemed, to confer any rights or remedies upon any person or Business Entity who is not a party to this Agreement.

24.04 Severability. Wherever possible, each provision of this Agreement shall be interpreted in a manner so as to be valid under Applicable Laws, but if any provision of this Agreement is declared by a court of competent jurisdiction to be invalid or prohibited under Applicable Laws, the provision shall be treated as if it never was part of this Agreement without invalidating the remaining provisions of this Agreement. All provisions of this Agreement are severable. If the provisions of this Agreement provide for periods of notice that are less than those required by Applicable Laws, or provide for termination, cancellation or non renewal other than in accordance with Applicable Laws, the parties agree that the provisions shall be automatically amended to conform them to Applicable Laws.

24.05 Waiver. Any waiver granted by Company to Franchisee excusing or reducing any obligation or restriction imposed under this Agreement shall be in writing. The waiver shall become effective when Company delivers the writing to Franchisee unless another effective date is specified in the writing. No waiver granted by Company, and no action taken by Company, with respect to any third party shall limit Company's discretion to take action of any kind, or not to take action, with respect to Franchisee. Any waiver granted by Company to Franchisee shall be without prejudice to any other rights Company may have. The rights and remedies granted to Company are cumulative. No delay by Company in exercising any right or remedy under this Agreement or Applicable Laws shall operate as a waiver, and no single or partial exercise by Company of any right or remedy shall preclude Company from fully exercising the right or remedy at another time or from exercising any other right or remedy. Company's acceptance of any payment from Franchisee after Franchisee commits an event of default shall not operate as a waiver by Company of the default or of any term, covenant or condition of this Agreement.

24.06 Notices. All written notices permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered (i) when delivered by hand; (ii) 5 days after placed in the United States mail if sent by registered or certified mail, return receipt requested, postage prepaid; (iii) one business day after sent via overnight courier, postage prepaid; or (iv) one business day after transmission by facsimile, telecopy or other electronic system, including e-mail to the recipient's principal e-mail account address. All notices shall be addressed to the party at the address shown on **Schedule 5**. A party may change its address for receiving notices at any time by appropriate written notice to the other. All payments shall be directed to Company at the address shown on **Schedule 5** or to an electronic address or account otherwise designated by Company. Notwithstanding the parties' agreement regarding when notices shall be deemed to be given, any required payment or report not actually received by Company during regular business hours on the date it is due shall be deemed delinquent.

24.07 Advice of Counsel. Each party represents that before signing this Agreement, such party had the opportunity (and was strongly advised) to seek advice from an attorney of his, her or its own choosing, and that such party has read and understands all of the terms and provisions of this Agreement.

24.08 Company's Business Judgment. The parties recognize, and any mediator or judge is affirmatively advised that certain provisions of this Agreement describe the right of Company to take (or refrain from taking) certain actions in its discretion, and other actions in the exercise of its reasonable business judgment. Where this Agreement expressly requires that Company make a decision based upon Company's reasonable business judgment Company is required to evaluate the overall best interests of all ACE DuraFlo® Authorized Businesses and Company's own business interests. If Company makes a decision based upon its reasonable business judgment, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Company. The fact that a mediator or judge might reach a different decision than the one made by Company is not a basis for finding that Company made its decision without the exercise of reasonable business judgment. Company's duty to exercise reasonable business judgment in making certain decision does not restrict or limit Company's right under this Agreement to make other decisions based entirely on Company's discretion as permitted by this Agreement. Company's discretion means that Company may consider any set of facts or circumstances that it deems relevant in rendering a decision.

24.09 Time of the Essence. Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

24.10 Company's Prior Approval. Except where this Agreement expressly requires Company to exercise its reasonable business judgment in deciding to grant or deny approval of any action or request by Franchisee, Company has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee in Company's discretion. Further, whenever the prior consent or approval of Company is required by this Agreement, Company's consent or approval must be evidenced by a writing unless this Agreement expressly states otherwise.

24.11 Anti-Terrorism Representations. Franchisee agrees to comply with and/or to assist Company to the fullest extent possible in Company's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents and warrants on behalf of itself and each Covered Person that none of their property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of, or "blocking" of assets under, the Anti-Terrorism Laws shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Company or one of its affiliates, in accordance with the termination provisions of this Agreement.

24.12 Consent of Spouse. If Franchisee enters into this Agreement in their individual capacity, Franchisee's spouse shall execute a Consent of Spouse in the form of **Schedule 6**. If Franchisee is a Business Entity, the spouse of each Personal Guarantor shall execute a Consent of Spouse in the form of **Schedule 6**.

24.13 Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Agreement.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, Company and Franchisee have executed this Agreement the day and year first above written, effective as of the date executed by Company.

FRANCHISEE:

By: _____

Title: _____

Printed Name: _____

**COMPANY:
ACE DURAFLO SYSTEMS, LLC**

By: _____

Title: _____

Printed Name: _____

PRINCIPALS:

Printed Name: _____

Printed Name: _____

Printed Name: _____

Printed Name: _____

**SCHEDULE 1 TO
ACE DURAFLO SYSTEMS, LLC
FRANCHISE AGREEMENT**

**BETWEEN ACE DURAFLO SYSTEMS, LLC (COMPANY)
AND _____ (FRANCHISEE)**

Operating Territory and Initial Franchise Fee

The Operating Territory shall be considered the following non-exclusive geographic area:

The population in the Operating Territory as of the Signing Date according to the most recently published census data of the federal Office of Management and Budget is:

_____.

The Authorized Services as of the Signing Date are as follows: [parties to check]

- ☐ _____ mini E™ Applications
- ☐ _____ Residential/Commercial Applications

The Initial Franchise Fee is \$_____ based on the following calculation:

\$_____ [amount for specific type of Authorized Services indicated above] for an Operating Territory of up to 1 Million population as of the Signing Date; plus

\$_____ for each population increment of up to 250,000, as explained in the Agreement.

To the extent not specifically modified hereby, the terms and conditions of the Franchise Agreement remain in full force and effect.

Dated as of _____, _____.

“FRANCHISEE”

“COMPANY”

ACE DURAFLO SYSTEMS, LLC

By: _____

President

By: _____

President

BUSINESS OFFICE

The street address for Franchisee's Business Office shall be:

To the extent not specifically modified hereby, the terms and conditions of the Franchise Agreement remain in full force and effect.

Dated as of _____, _____.

"FRANCHISEE"

"COMPANY"

ACE DURAFLO SYSTEMS, LLC

By: _____
_____, President

By: _____
_____, President

**SCHEDULE 2 TO
ACE DURAFLO SYSTEMS, LLC
FRANCHISE AGREEMENT**

COVERED PERSONS AS OF THE SIGNING DATE

**SCHEDULE 3 TO
ACE DURAFLO SYSTEMS, LLC
FRANCHISE AGREEMENT**

DISPUTE RESOLUTION

1. Agreement to Mediate Disputes. Except as otherwise provided in this **Schedule 3**, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement.

(a) The mediation shall be conducted pursuant to the rules of the JAMS (“the Mediation Service”). Either party may initiate the mediation (the “Initiating Party”) by notifying the Mediation Service in writing, with a copy to the other party (the “Responding Party”). The notice shall describe with specificity the nature of the dispute and the Initiating Party’s claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service’s then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediator must be either a practicing attorney with experience in business format franchising or a retired judge, with no past or present affiliation or conflict with any party to the mediation. The parties agree that mediator and Mediation Service’s employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(c) Except as otherwise provided in this **Schedule 3**: (i) the fees and expenses of the Mediation Service, including (without limitation) the mediator’s fee and expenses, shall be shared equally by the parties, and (ii) each party shall bear its own attorney’s fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.

(d) The mediation conference shall begin within 30 days after selection of the mediator. Regardless of whether Company or Franchisee is the Initiating Party, the mediation shall be conducted at Company’s headquarters, unless otherwise required by Applicable Law.

(e) The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party’s behalf and on behalf of all principals of that party who are required by the terms of the parties’ settlement to be personally bound by it. The parties recognize and agree, however, that the mediator’s recommendations and decision shall not be binding on the parties.

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing,

that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator and Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

(h) If one party breaches this Agreement by refusing to participate in the mediation or not complying with the requirements for conducting the mediation, the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs, (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to any disputes, controversies or claims (i) where the monetary relief sought is under \$10,000, or (ii) in which a party seeks or applies for any kind of Provisional Remedies. In the case of (ii), the party that is awarded Provisional Remedies shall not be required to post bond or comparable security. Once Provisional Remedies are obtained, the parties agree to submit the dispute to, or continue, the mediation or action in accordance with this Agreement.

3. Judicial Relief. The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Agreement expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Orange and the United States District Court of the Central District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship. To the fullest extent that it may effectively do so under Applicable Laws, Franchisee waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this paragraph and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this paragraph.

(a) **Expedited Discovery.** In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery including, in the case of Company, the right to conduct forensic examination of Franchisee's computer system if Company reasonably believes the computer system contains Confidential Information. In connection any application for Provisional Remedies, each party may conduct discovery on an expedited basis.

4. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE NAMES AND MARKS OR THE SYSTEM OF OPERATION BY FRANCHISEE, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

5. Choice of Law. The parties agree that Nevada law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event the federal law shall govern.

6. Limitations Period. To the extent permitted by Applicable Laws, any legal action of any kind arising out of or relating to this Agreement or its breach, including without limitation, any claim that this Agreement or any of its parts is invalid, illegal or otherwise voidable or void, must be commenced by no later than one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability; provided, however, the applicable limitations period shall be tolled during the course of any mediation which is initiated before the last day of the limitations period with the tolling beginning on the date that the Responding Party receives the Initiating Party's demand for mediation and continuing until the date the mediation is concluded.

7. Punitive or Exemplary Damages. Company and Franchisee, on behalf of themselves, their respective Affiliates and their respective officers, directors, employees and agents, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

8. Attorneys' Fees. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and any court costs in addition to any other relief awarded in the action or proceeding. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action. Additionally, the parties agree that Company shall be entitled to reimbursement of all fees, costs and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

9. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate, arbitrate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Franchisee therefore each agree that a decision of an arbitrator or judge in any proceeding or action in which either Company or Franchisee, but not both of them, is a party shall not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Franchisee. Company and Franchisee therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

10. Waiver of Class Action Proceedings and Relief. Company and Franchisee agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Franchisee. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Franchisee both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

**SCHEDULE 4 TO
ACE DURAFLO SYSTEMS, LLC
FRANCHISE AGREEMENT**

FRANCHISEE REPRESENTATIONS

To induce Company to enter into this Agreement, Franchisee makes the following representations as of the Signing Date:

(a) **Acceptance of Conditions.** Franchisee has read this Agreement and the Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to protect and preserve the reputation and goodwill associated with the Names and Marks.

(b) **Independent Investigation.** Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that an investment in this Franchise involves business risks and that the success of the investment depends upon Franchisee's business ability and efforts.

(c) **Reliance.** Franchisee has not received or relied upon any promise or guaranty, express or implied, about the prospects, revenues, profits or success of the business venture contemplated by this Agreement.

(d) **No Representations; Status of Franchisee.** No representations have been made by Company, Company's Affiliates or their respective officers, directors, shareholders, managing members, employees or agents that are contrary to statements made in the Franchise Disclosure Document previously received by Franchisee or to the terms contained in this Agreement.

(e) **Legal Status.** Franchisee, if an individual, is a United States citizen or a lawful resident alien of the United States. If Franchisee is a Business Entity, it is now, and shall at all times remain, duly organized and in good standing under Applicable Laws for as long as it is a party to this Agreement.

(f) **Reliance.** All financial and other information provided to Company in connection with Franchisee's application is true and correct and no material information or fact has been omitted which is necessary in order to make the information disclosed not misleading.

(g) **Understanding.** Franchisee acknowledges that it has read and understands this Agreement and further understands: (i) the importance of operating the Franchised Business in strict conformity with the System of Operation, as modified from time to time; (ii) the Franchised Business cannot be successful without significant marketing and other efforts by Franchisee ; and (iii) like any other business, there are risks inherent in making this investment and no guarantee, regardless of the efforts of Franchisee, that the Franchised Business will be successful.

(h) **ePIPE® Licensing Program.** Franchisee is aware that Company offers, sells and administers the ePIPE® licensing program under the ePIPE® marks and that ePIPE® authorized businesses may compete with the Franchised Business in the Operating Territory.

Under the ePIPE® licensing program, Company's Affiliates and franchisees may purchase Epoxy and offer services substantially identical to the Authorized Services. Nothing in this Agreement limits Company's discretion to develop, market, expand or modify the scope of the ePIPE® licensing program or limits the activities of ePIPE® authorized businesses or any participant in the ePIPE® licensing program.

**SCHEDULE 5 TO
ACE DURAFLO SYSTEMS, LLC
FRANCHISE AGREEMENT**

NOTICES

TO COMPANY:

ACE DURAFLO SYSTEMS, LLC,
A Nevada Limited Liability Company
3122 West Alpine Street
Santa Ana, California 92704
FAX: _____
E-Mail: www.aceduraflo.com
Attention: President

TO FRANCHISEE:

WITH A COPY TO:

WITH A COPY TO:

**SCHEDULE 6 TO
ACE DURAFLO SYSTEMS, LLC
FRANCHISE AGREEMENT**

SPOUSAL CONSENT

The undersigned is the spouse of _____,

☐ The party identified as "Franchisee " in that certain Franchise Agreement dated _____ ("Franchise Agreement") by and between ACE DuraFlo SYSTEMS, LLC, a Nevada limited liability company, doing business as "ACE DuraFlo®" ("Company") and Franchisee.

☐ _____, a Personal Guarantor who has entered into a Personal Guaranty of the obligations of _____, the Franchisee under that certain Franchise Agreement dated _____ ("Franchise Agreement") by and between ACE DuraFlo SYSTEMS, LLC, a Nevada limited liability company, doing business as "ACE DuraFlo®" ("Company") and Franchisee.

I hereby give my consent to my spouse's execution of the Franchise Agreement, Personal Guaranty, or both, depending on the box or boxes that I have marked off, and I agree that the actions and the obligations undertaken by my spouse under the referenced contract(s) shall be binding on the marital community and any interest I may have in any rights awarded to my spouse.

I declare that I have had the opportunity to request a copy of, and fully and carefully read, the Franchise Agreement, Personal Guaranty, or both, depending on the box or boxes that I have marked off, and have furthermore had the opportunity to seek the advice of independent counsel with respect to this Consent.

Dated: _____

Signature of Spouse: _____

Print Name: _____

EXHIBIT B
FINANCIAL STATEMENTS

The following financial statements include audited financial statements for fiscal years ending 12/31/2019, 12/31/2020, and 12/31/2021, and unaudited financial statements for the 3 months ending 3/31/2022.

The unaudited financial statements were prepared without an audit, which means that no certified public accountant has audited the figures or expressed their opinion with regard to the content or form of the financial statements.

ACE DuraFlo Systems, LLC
Profit & Loss
January through March 2022

Jan - Mar 22

REVENUES

Continuing Franchise Fees	149,138.35
Initial Franchise Fees	0.00
License Fee - Related Party	19,829.55
Product Sales	128,287.46
Technology and Other Licenses Fees	0.00
Franchise Advertising Contributions	<u>37,218.51</u>
Total Revenues	334,473.87

OPERATING EXPENSES

Cost of Products Sold	68,085.63
License Fee - Related Party	60,000.00
Consulting - Related Party	34,500.00
Franchise Advertising Expenses	25,984.08
General and Administrative	<u>81,799.31</u>
Total Operating Expenses	<u>270,369.02</u>

NET INCOME 64,104.85

ACE DuraFlo Systems, LLC
Balance Sheet
As of March 31, 2022

	<u>Mar 31, 22</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	763,535.33
Cash and Cash Equivalents - Restricted	118,206.15
Accounts Receivable, Net of Allowance for Doubtful	
Accounts of \$2,230	54,915.25
Accounts Receivable - Related Party	53,955.27
Prepaid Expenses and Other Current Assets	18,803.56
Deferred Contract Costs	26,998.00
Inventories	114,413.58
Prepaid Expenses and Other Current Assets	163,239.56
Total Current Assets	<u>1,153,851.56</u>
PROPERTY AND EQUIPMENT, AT NET BOOK VALUE	<u>3,173.23</u>
TOTAL ASSETS	<u><u>1,157,024.79</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	100,042.92
Accrued Liabilities	4,763.51
Deferred Revenues	118,257.00
Accrued Member Distribution	17,900.00
Total Current Liabilities	<u>240,963.43</u>
Total Liabilities	240,963.43
Members Equity	916,061.36
TOTAL LIABILITIES & EQUITY	<u><u>1,157,024.79</u></u>

ACE DURAFLO SYSTEMS, LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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**ACE DURAFLO SYSTEMS, LLC
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INDEPENDENT AUDITORS' REPORT

Members
Ace Duraflo Systems, LLC
Santa Ana, California

Opinion

We have audited the accompanying financial statements of Ace Duraflo Systems, LLC (a Nevada limited liability company) (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ace Duraflo Systems, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Auditors' 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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 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.



CliftonLarsonAllen LLP

Irvine, California
June 2, 2022

ACE DURAFLO SYSTEMS, LLC
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 795,475	\$ 224,834
Cash and Cash Equivalents - Restricted	119,834	92,323
Accounts Receivable, Net of Allowance for Doubtful		
Accounts of \$2,230	25,897	36,226
Accounts Receivable - Related Party	1,151	378,617
Inventories	62,444	101,026
Prepaid Expenses and Other Current Assets	26,660	14,384
Deferred Contract Costs	26,998	22,478
Total Current Assets	<u>1,058,459</u>	<u>869,888</u>
PROPERTY AND EQUIPMENT, AT NET BOOK VALUE	<u>3,397</u>	<u>4,408</u>
 Total Assets	 <u><u>\$ 1,061,856</u></u>	 <u><u>\$ 874,296</u></u>
 LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 51,594	\$ 17,792
Accrued Liabilities	4,248	28,107
Accrued Member Distribution	17,900	16,959
Deferred Revenues	118,257	88,495
Total Current Liabilities	<u>191,999</u>	<u>151,353</u>
MEMBERS' EQUITY	<u>869,857</u>	<u>722,943</u>
 Total Liabilities and Members' Equity	 <u><u>\$ 1,061,856</u></u>	 <u><u>\$ 874,296</u></u>

See accompanying Notes to Financial Statements.

ACE DURAFLO SYSTEMS, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUES		
Continuing Franchise Fees	\$ 706,519	\$ 507,035
Initial Franchise Fees	1,460	9,461
License Fee - Related Party	378,570	216,509
Product Sales	461,950	400,854
Technology and Other Licenses Fees	26,780	35,210
Franchise Advertising Contributions	176,516	125,072
Other	750	500
Total Revenues	<u>1,752,545</u>	<u>1,294,641</u>
OPERATING EXPENSES		
Cost of Products Sold	300,442	267,436
License Fee - Related Party	240,000	240,000
Consulting - Related Party	739,000	331,000
Franchise Advertising Expenses	142,178	169,129
General and Administrative	165,904	226,181
Total Operating Expenses	<u>1,587,524</u>	<u>1,233,746</u>
NET INCOME	165,021	60,895
Members' Equity - Beginning of Year	722,943	682,172
Members' Distributions	<u>(18,107)</u>	<u>(20,124)</u>
MEMBERS' EQUITY - END OF YEAR	<u><u>\$ 869,857</u></u>	<u><u>\$ 722,943</u></u>

See accompanying Notes to Financial Statements.

ACE DURAFLO SYSTEMS, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 165,021	\$ 60,895
Noncash Items Included in Net Income:		
Depreciation Expense	1,011	1,244
Changes in:		
Accounts Receivable	10,329	(25,402)
Accounts Receivable - Related Party	377,466	(159,424)
Inventories	38,582	4,713
Prepaid Expenses and Other Current Assets	(12,276)	3,237
Deferred Contract Costs	(4,520)	8,919
Accounts Payable	33,802	(18,405)
Accrued Liabilities	(23,859)	(6,466)
Deferred Revenues	29,762	(32,311)
Net Cash and Cash Equivalents Provided by (Used in)		
Operating Activities	615,318	(163,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to Members	(17,166)	(3,165)
Net Cash and Cash Equivalents Used in		
Financing Activities	(17,166)	(3,165)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	598,152	(166,165)
Cash and Cash Equivalents - Beginning of Year	317,157	483,322
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 915,309</u>	<u>\$ 317,157</u>
RECONCILIATION TO AMOUNTS PRESENTED ON THE BALANCE SHEETS		
Cash and Cash Equivalents	\$ 795,475	\$ 224,834
Cash and Cash Equivalents - Restricted	119,834	92,323
Total Cash and Cash Equivalents - End of Year	<u>\$ 915,309</u>	<u>\$ 317,157</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income Taxes Paid	<u>\$ 800</u>	<u>\$ 800</u>
Interest Paid	<u>\$ -</u>	<u>\$ 64</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued Members' Distribution	<u>\$ 17,900</u>	<u>\$ 16,959</u>

See accompanying Notes to Financial Statements.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Ace Duraflo Systems, LLC (the Company), located in Santa Ana, California, offers licenses that grant the right to licensees to use the Ace Duraflo® and ePIPE® brand names and patented, propriety technology to perform pipe restoration and related services. The Company markets its franchises throughout the United States, Canada, and Mexico. The sale of licenses is regulated by the Federal Trade Commission and various state and provincial regulations in the United States and Canada.

As described in Note 7, the Company is affiliated with other entities through common management and common ownership. The Company engages in transactions with these affiliates that significantly impact its financial statements. As a result, Company's financial position and results of operations may be materially different if the entities operated independently.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to the ASC hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Limited Liability Company Operating Agreement

The following represents a summary of significant financial terms of the Company's Limited Liability Company Operating Agreement (the Agreement). The Agreement should be referred to for more specific terms.

The Company was organized as a limited liability company in the state of Nevada on August 24, 1999, and will continue until June 30, 2029, unless dissolved prior to that date in accordance with the Agreement. The members' liability to general creditors is limited to their investments in the Company. Profits and losses for financial statement purposes are allocated to the members in proportion to their percentage interests.

Under the terms of the Agreement, profits and losses are to be allocated to the members. Distributions shall be made to the members at the times and in the aggregate amounts as determined by the members and subject to applicable laws and any limitations contained elsewhere in the Agreement. One or more new members may be admitted to the Company with the written consent of the existing members.

The Company shall be dissolved upon (i) the affirmative vote or written consent of the members constituting at least a majority interest, (ii) the termination of the legal existence of the last remaining member, (iii) upon the sale of all or substantially all the assets of the Company, (iv) the Company's bankruptcy, or (v) the occurrence of an event that makes it unlawful for the business of the Company to be continued.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Company administers a national advertising fund (NAF) for the benefit of its franchisees. All amounts collected by this fund from franchisees are restricted for use in advertising and promotional efforts of the Company. At December 31, 2021 and 2020, restricted cash related to NAF totaled \$119,834 and \$92,323, respectively.

Accounts Receivable

Accounts receivable consist of trade accounts arising in the normal course of business and are stated at the amount that management expects to collect from outstanding balances. The Company sells its products primarily on net 30-day terms. Accounts for which no payments have been received for 35 to 40 days are considered delinquent, and customary collection efforts are initiated. Uncollectible accounts are written off when a customer files bankruptcy or after all attempts at collections have been pursued. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. The allowance for doubtful accounts is determined on the basis of loss experience, economic conditions in the industry, and the financial stability of customers.

Inventories

Inventories are stated at the lower of cost using the first-in, first-out method or net realizable value. Inventories at December 31, 2021 and 2020, consist mostly of equipment inventory and epoxy supply.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of the related assets are as follows:

Office Furniture and Equipment	7 Years
Computer Equipment	5 Years

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of the carrying value of such assets for the years ended December 31, 2021 and 2020.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Income Taxes

The Company was formed as a limited liability company in accordance with the provisions and the filing of the Articles of Organization in the office of the Nevada Secretary of State. As a result, the members separately account for their share of the Company's income, deductions, and losses on their income tax returns. Accordingly, there is no provision for federal income taxes.

The Company is registered with the state of California and subject to a limited liability company minimum tax of \$800 per year, plus a fee based on total California revenues for up to a maximum of \$11,790. The Company is also subject to taxing authorities in various other states. For the years ended December 31, 2021 and 2020, the Company incurred California limited liability company fees and franchise taxes of \$3,300 for each year.

The Company accounts for uncertain tax positions by making subjective assumptions and judgments regarding its income tax exposures. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and often ambiguous. Interpretations and guidance surrounding income tax laws and regulations change over time. As such, changes in the Company's subjective assumptions and judgments can materially affect amounts recognized in the balance sheets and the statements of operations and changes in members' equity.

The Company's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of December 31, 2021 and 2020.

The Company files income tax returns in U.S. federal and various state jurisdictions. The Company's federal tax returns for years prior to 2018 are no longer subject to examination by the Internal Revenue Service. The Company's various state income tax returns for years prior to 2017 are no longer subject to examination by the various state tax authorities.

Revenue Recognition from Contracts with Franchises

The Company's revenues include initial franchise fees, continuing franchise fees, franchise advertising contributions, product sales of equipment and epoxy to franchises, and technology and other licenses fees.

The Company accounts for revenue under FASB ASC Topic 606, *Revenue from Contracts with Customers*. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled for the exchange of those goods or services. ASC 606 also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, requiring an entity to defer the incremental costs of obtaining a contract with a customer and amortizing it over the term of the contract.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Revenue Recognition from Contracts with Franchises (Continued)

Franchise licensing fees include an initial franchise fee and royalties based on franchise sales, which are presented as continuing franchise fees in the accompanying statements of operations and changes in members' equity. The initial franchise fee begins at \$34,900 for a residential/limited commercial franchise and \$19,900 for a mini-E™ franchise. These initial fees increase incrementally for territories in excess of one million in population. In addition to the initial franchise fee, each new franchise is required to purchase an equipment package ranging from approximately \$42,000 to \$420,000, along with an initial supply of epoxy and materials costing from \$115 to \$4,000. The licenses granted to the franchises are nonexclusive and have a duration of 10 years. Subject to the Company's approval and payment of a nominal renewal fee, a franchisee may generally renew its agreement upon expiration for an additional five years.

The Company also offers technology and other license agreements to nonfranchises that require less marketing and business to support. Technology and other licenses include an initial license fee, but no continuing licensing fees. Additionally, licensees are required to purchase equipment and epoxy, if applicable, from the Company. The technology transfer license and other licenses are materially different from a franchise license and do not allow the licensee to use the Company's licensed marks, and the licensee receives no marketing support from the Company. The licenses granted have a duration of 10 years.

Product revenue is recognized at a point in time when shipped.

Franchise advertising contributions are recognized when the payment is received from the franchisee.

At December 31, 2021 and 2020, the Company had a total of 11 and 12 active franchisees, respectively, of which one is affiliated with the Company. Also, during 2021 and 2020, no new franchises were sold. The Company sold two technology licenses during the year ended December 31, 2021 and one other license during the year ended December 31, 2020.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Franchise and Licensing Revenues

Under franchise agreements, the Company provides franchisees with (i) a franchise license, which includes a license to use intellectual property and advertising and promotion management; (ii) preopening services, such as training and commissions; and (iii) ongoing services, such as development of training materials. Under license agreements, the license does not allow the licensee to use the Company's licensed marks, and the licensee receives no marketing support from the Company. The services provided under the franchise agreements are highly interrelated and dependent upon the franchise license, and the Company concluded that the services do not represent individually distinct performance obligations. Consequently, the franchise license performance obligation and promises to provide services are bundled into a single performance obligation under ASC 606, which the Company satisfies by providing the right to use the intellectual property over the term of each franchise agreement.

Initial Franchise Fees – Initial franchise fees are payable by the franchisee upon opening a new franchise agreement. Initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Unamortized initial franchise fees are recorded as deferred revenue.

Continuing Franchise Fees – Continuing franchise fees are calculated as a percentage of franchise sales over the term of the franchise agreement and recognized as revenue when the franchisee reports revenue from its gross sales.

Technology and Other Licenses Fees – Technology and other licenses fees are payable by the nonfranchisee upon a new license agreement. Technology and other licenses fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Unamortized technology and other licenses fees are recorded as deferred revenue.

Advertising and Promotional Costs

The franchisees contribute to an advertising fund managed by the Company. Under the Company's franchise agreements, advertising contributions received from franchisees must be spent on advertising, product development, marketing, and related activities. Advertising contributions received from franchisees are included in franchise revenues and advertising expenses are included as operating expenses as incurred.

Deferred Contract Costs

Deferred contract costs are unamortized incremental costs of acquiring contracts, which primarily consist of commissions paid and training services provided. These deferred contract costs are amortized on a straight-line basis over the term of the agreement.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial franchise fees paid by franchisees and technology and other licenses fees paid by the licensee, which are generally recognized on a straight-line basis over the term of the underlying agreement.

Use of Estimates

The process of preparing financial statements in accordance U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Recent Accounting Pronouncement – Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Company is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

NOTE 2 CONCENTRATIONS, RISKS, AND UNCERTAINTIES

The Company maintains cash balances at a single financial institution. At December 31, 2021 and 2020, accounts at this institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At December 31, 2021 and 2020, the Company's balance at this institution in excess of federally insured limits totaled \$679,279 and \$54,162, respectively.

The Company has significant concentrations of revenues, accounts receivable, purchases, and accounts payable with related parties as further described in Note 7.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 CONCENTRATIONS RISKS, AND UNCERTAINTIES (CONTINUED)

During the years ended December 31, 2021 and 2020, there were no nonaffiliated franchisees that accounted for more than 10% of the Company's total revenues.

Credit is extended for some customers and is based on financial condition, and generally, collateral is not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

NOTE 3 REVENUE RECOGNITION, ACCOUNTS RECEIVABLE, DEFERRED CONTRACT COSTS, CONTRACT ASSETS, AND CONTRACT LIABILITIES

Disaggregation of Revenues

As stated in Note 1, the initial franchise fees and technology and other licenses are recognized over time. Continuing franchise fees are recognized at a point in time when the franchisee reports revenue from its gross sales. Contributions of advertising funds are recognized at a point in time, which is when payment is received from the franchisee. Product revenue is recognized at a point in time, which is when the products are shipped.

Accounts Receivable

Accounts receivable are composed of trade accounts arising in the normal course of business and are stated at the amount that management expects to collect from outstanding balances. The balances at December 31, 2021 and 2020, were \$25,897 and \$36,226, respectively. These balances are net of allowance for doubtful accounts of \$2,230 each year. Additionally, the balance as of January 1, 2020, was \$10,824, which is net of allowance for doubtful accounts of \$2,230.

Deferred Contract Costs

Deferred contract costs are composed of unamortized costs to obtain contracts and upfront costs incurred related to franchises and licenses. The balances at December 31, 2021 and 2020, were \$26,998 and \$22,478, respectively. Additionally, the balance as of January 1, 2020 was \$31,397.

Contract Assets and Liabilities

The Company had no contract assets as of December 31, 2021 and 2020. Additionally, there were no contract assets as of January 1, 2020.

Contract liabilities are composed of unamortized upfront fees received from franchisees and licensees, which are classified as deferred revenues on the accompanying balance sheets. The balance at December 31, 2021 and 2020, was \$118,257 and \$88,495, respectively. Additionally, the balance as of January 1, 2020 was \$120,806.

The Company has applied the optional exemption, as provided for in ASC 606, which allows the Company the ability to not disclose the transaction price allocated to unsatisfied performance obligations when the transaction price is a sales-based royalty.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 PROPERTY AND EQUIPMENT

At December 31, 2021 and 2020, property and equipment consist of the following:

	2021	2020
Office Furniture and Equipment	\$ 28,512	\$ 28,512
Computer Equipment	1,741	1,741
Total Property and Equipment, at Cost	30,253	30,253
Less: Accumulated Depreciation	(26,856)	(25,845)
Property and Equipment, at Net Book Value	\$ 3,397	\$ 4,408

Depreciation expense for the years ended December 31, 2021 and 2020, totaled \$1,101 and \$1,244, respectively.

NOTE 5 MEMBERS' EQUITY

The Company has a total of 3,000,000 Class A units and 2,000,000 Class B units authorized, with 1,898,502 Class A and 268,000 Class B units issued and outstanding at December 31, 2021 and 2020, respectively. Approximately 86,000 Class A units issued prior to December 30, 2005, are entitled to a 10% preferred return. The remaining Class A units are entitled to a 12% preferred return. As of December 31, 2021 and 2020, no preferred return distributions have been declared or paid.

At December 31, 2021, the Company has approved and recorded an accrued member distribution totaling \$17,900.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases equipment under noncancelable intercompany operating leases on a month-to-month basis. The Company's facilities in Santa Ana, California, are leased by an affiliated company. The Company and its affiliates share in the rent of the lease. Total rent expense for the years ended December 31, 2021 and 2020, was approximately \$19,000 each year.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 RELATED PARTY TRANSACTIONS

The Company's controlling members are also controlling members of Pipe Restoration Technologies, LLC (PRT). The Company has a license agreement with PRT, which commenced in October 2001 and was last amended in October 2013. The license gives the Company the exclusive right in North America to use PRT's trade secrets, service performance system, and trademarks in conjunction with the Company's development, operations, promotions, licensing, and relicensing of a business using the service performance system.

In connection with the license agreement with PRT, the Company incurs monthly license fees based on sales of business licenses, subject to monthly minimums. Total license fees incurred during the years ended December 31, 2021 and 2020, were \$240,000 for each year. This agreement continues until terminated in accordance with the provisions of the agreement, but in no case later than five years past the expiration of the last license/franchise agreement issued by the Company in North America.

PRT holds a controlling interest in Pipe Restoration, Inc. (PRI), which is an affiliated franchisee of the Company. The Company's franchise agreement with PRI covers four counties in Southern California: Orange, Los Angeles, Ventura, and Riverside (Covered Territories). Effective January 1, 2017, the Company and PRI amended their license agreement. Under the terms of the agreement, in addition to the 6% royalty calculated on gross receipts, PRI became subject to a 15% license fee (15% License Fee) payable to the Company on all of its revenues, except for certain transactions between affiliates.

Subsequently, the Company's franchise agreement with PRI was amended as follows:

- Effective November 1, 2017, the license agreement was amended, and as a result, PRI's revenues within the Covered Territories were no longer subject to the 15% License Fee, but PRI's revenues outside of the Covered Territories remained subject to the 15% License Fee, in addition to the 6% royalty calculated on gross receipts.
- Effective April 1, 2018, the agreement was amended to reduce the 6% royalty on gross receipts from 6% to 3% within the Covered Territories.
- Effective January 1, 2019, the agreement was amended, and the royalty rate for the Covered Territories was changed again to 6%.

During the years ended December 31, 2021 and 2020, royalties from PRI totaled approximately \$651,000 and \$474,000, respectively, and the 15% license fee totaled approximately \$379,000 and \$217,000, respectively.

Revenues from PRI represent 82% and 81% of the Company's revenues during the years ended December 31, 2021 and 2020, respectively.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

Revenues from related parties are as follows for the years ended December 31, 2021 and 2020:

	2021	2020
PRT	\$ 2,877	\$ -
PRI	1,436,265	1,074,081
Total	<u>\$ 1,439,142</u>	<u>\$ 1,074,081</u>

Accounts receivable from related party as of December 31, 2021 and 2020, are as follows:

	2021	2020
PRI	<u>\$ 1,151</u>	<u>\$ 378,617</u>

For the years ended December 31, 2021 and 2020, the Company purchased \$235,789 and \$246,955, respectively, of pipe coating material from PRT, which represent 78% and 92%, respectively, of the Company's total purchases. No balances were owed to PRT at December 31, 2021 and 2020.

The Company shares the same management, many of its employees, and facilities as PRT and PRI. For the years ended December 31, 2021 and 2020, salary expense allocated to the Company was \$53,588 and \$97,453, respectively.

The Company's directors and affiliates of its directors provide certain consulting services for the Company. During 2021 and 2020, the Company incurred \$739,000 and \$331,000, respectively, in such consulting services from these related parties.

NOTE 8 EMPLOYEE BENEFIT PLAN

Effective March 1, 2011, the Company adopted the Strategic Outsourcing, Inc. Multiple Employer 401(k) plan (the Plan), which replaced its original 401(k) plan established in 2002. The Plan covers all eligible employees of the Company and PRI. All employees that have attained the age of 21 years and have completed six months of service are eligible to participate in the Plan. Employees can elect to defer up to the maximum allowed by law of their compensation for the Plan year. The Plan provides for discretionary matching and profit sharing contributions. For the years ended December 31, 2021 and 2020, the Company did not make any matching or discretionary contributions to the Plan.

NOTE 9 SUBSEQUENT EVENTS

Events occurring after December 31, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of June 2, 2022, which is the date the financial statements were available to be issued.

ACE DURAFLO SYSTEMS, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

WITH INDEPENDENT AUDITORS' REPORT



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ACE DURAFLO SYSTEMS, LLC
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DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Members

Ace Duraflo Systems, LLC

We have audited the accompanying financial statements of Ace Duraflo Systems, LLC (a Nevada limited liability company) (the Company), which comprise the balance sheet as of December 31, 2020, and the related statements of operations and changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

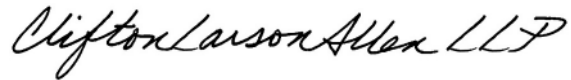
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ace Duraflo Systems, LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements as of and for the year ended December 31, 2019, were audited by White Nelson Diehl Evans LLP, whose partners and professional staff joined CliftonLarsonAllen LLP as of November 1, 2020, and has subsequently ceased operations. White Nelson Diehl Evans LLP's report dated March 27, 2020, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
April 8, 2021

ACE DURAFLO SYSTEMS, LLC
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 224,834	\$ 354,116
Cash and cash equivalents - restricted	92,323	129,206
Accounts receivable, net of allowance for doubtful accounts of \$2,230	36,226	10,824
Accounts receivable - related party	378,617	219,193
Inventories	101,026	105,739
Prepaid expenses and other current assets	14,384	17,621
Deferred contract costs	<u>22,478</u>	<u>31,397</u>
Total Current Assets	869,888	868,096
Property and Equipment, at Net Book Value	<u>4,408</u>	<u>5,652</u>
Total Assets	<u><u>\$ 874,296</u></u>	<u><u>\$ 873,748</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 17,792	\$ 36,197
Accrued liabilities	28,107	34,573
Accrued member distribution	16,959	-
Deferred revenues	<u>88,495</u>	<u>120,806</u>
Total Liabilities	151,353	191,576
Members' Equity	<u>722,943</u>	<u>682,172</u>
Total Liabilities and Members' Equity	<u><u>\$ 874,296</u></u>	<u><u>\$ 873,748</u></u>

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

ACE DURAFLO SYSTEMS, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Continuing franchise fees	\$ 507,035	\$ 754,629
Initial franchise fees	9,461	17,428
License fee - related party	216,509	159,700
Product sales	400,854	378,842
Technology and other licenses fees	35,210	32,475
Franchise advertising contributions	125,072	191,140
Other	500	14,000
	<u>1,294,641</u>	<u>1,548,214</u>
Total Revenues		
Operating Expenses:		
Cost of products sold	267,436	267,564
License fee - related party	240,000	240,000
Consulting - related party	331,000	476,000
Franchise advertising expenses	169,129	115,716
General and administrative	226,181	318,196
	<u>1,233,746</u>	<u>1,417,476</u>
Total Operating Expenses		
Net Income	60,895	130,738
Members' Equity, Beginning of Year	682,172	621,324
Adjustments for Adoption of New Revenue Standard	-	(69,890)
Members' Distributions	<u>(20,124)</u>	<u>-</u>
Members' Equity, End of Year	<u>\$ 722,943</u>	<u>\$ 682,172</u>

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

ACE DURAFLO SYSTEMS, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Net Income	\$ 60,895	\$ 130,738
Noncash Items Included in Net Income:		
Change in allowance for doubtful accounts	-	(3,135)
Depreciation expense	1,244	1,244
Changes in:		
Accounts receivable	(25,402)	3,271
Accounts receivable - related party	(159,424)	479,253
Inventories	4,713	(2,349)
Prepaid expenses and other current assets	3,237	(792)
Deferred contract costs	8,919	8,552
Accounts payable	(18,405)	21,543
Accounts payable - related party	-	(159,991)
Accrued liabilities	(6,466)	16,830
Deferred revenues	(32,311)	(38,027)
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	<u>(163,000)</u>	<u>457,137</u>
Cash Flows from Financing Activities:		
Distributions to members	<u>(3,165)</u>	<u>-</u>
Net Cash and Cash Equivalents Used in Financing Activities	<u>(3,165)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(166,165)	457,137
Cash and Cash Equivalents, Beginning of Year	<u>483,322</u>	<u>26,185</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 317,157</u></u>	<u><u>\$ 483,322</u></u>
Reconciliation to Amounts Presented on the Balance Sheets:		
Cash and cash equivalents	\$ 224,834	\$ 354,116
Cash and cash equivalents - restricted	<u>92,323</u>	<u>129,206</u>
Total Cash and Cash Equivalents, End of Year	<u><u>\$ 317,157</u></u>	<u><u>\$ 483,322</u></u>
Supplemental Disclosures:		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ 64</u>	<u>\$ 149</u>
Supplemental Disclosure on Noncash Transactions:		
Accrued members' distribution	<u><u>\$ 16,959</u></u>	<u><u>\$ -</u></u>

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

ACE DURAFLLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Ace Duraflo Systems, LLC (the Company), located in Santa Ana, California, offers licenses that grant the right to licensees to use the Ace Duraflo® and ePIPE® brand names and patented, propriety technology to perform pipe restoration and related services. The Company markets its franchises throughout the United States, Canada, and Mexico. The sale of licenses is regulated by the Federal Trade Commission and various state and provincial regulations in the United States and Canada.

As described in Note 7, the Company is affiliated with other entities through common management and common ownership. The Company engages in transactions with these affiliates that significantly impact its financial statements. As a result, Company's financial position and results of operations may be materially different if the entities operated independently.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to the ASC hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Limited Liability Company Operating Agreement

The following represents a summary of significant financial terms of the Company's Limited Liability Company Operating Agreement (the Agreement). The Agreement should be referred to for more specific terms.

The Company was organized as a limited liability company in the state of Nevada on August 24, 1999, and will continue until June 30, 2029, unless dissolved prior to that date in accordance with the Agreement. The members' liability to general creditors is limited to their investments in the Company. Profits and losses for financial statement purposes are allocated to the members in proportion to their percentage interests.

Under the terms of the Agreement, profits and losses are to be allocated to the members. Distributions shall be made to the members at the times and in the aggregate amounts as determined by the members and subject to applicable laws and any limitations contained elsewhere in the Agreement. One or more new members may be admitted to the Company with the written consent of the existing members.

The Company shall be dissolved upon (i) the affirmative vote or written consent of the members constituting at least a majority interest, (ii) the termination of the legal existence of the last remaining member, (iii) upon the sale of all or substantially all the assets of the Company, (iv) the Company's bankruptcy, or (v) the occurrence of an event that makes it unlawful for the business of the Company to be continued.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Company administers a national advertising fund (NAF) for the benefit of its franchisees. All amounts collected by this fund from franchisees are restricted for use in advertising and promotional efforts of the Company. At December 31, 2020 and 2019, restricted cash related to NAF totaled \$92,323 and \$129,206, respectively.

Accounts Receivable

Accounts receivable consist of trade accounts arising in the normal course of business and are stated at the amount that management expects to collect from outstanding balances. The Company sells its products primarily on net 30-day terms. Accounts for which no payments have been received for 35 to 40 days are considered delinquent, and customary collection efforts are initiated. Uncollectible accounts are written off when a customer files bankruptcy or after all attempts at collections have been pursued. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. The allowance for doubtful accounts is determined on the basis of loss experience, economic conditions in the industry, and the financial stability of customers.

Inventories

Inventories are stated at the lower of cost using the first-in, first-out method or net realizable value. Inventories at December 31, 2020 and 2019, consist mostly of equipment inventory and epoxy supply.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives of the related assets are as follows:

Office furniture and equipment	7 years
Computer equipment	5 years

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of the carrying value of such assets for the years ended December 31, 2020 and 2019.

Income Taxes

The Company was formed as a limited liability company in accordance with the provisions and the filing of the Articles of Organization in the office of the Nevada Secretary of State. As a result, the members separately account for their share of the Company's income, deductions, and losses on their income tax returns. Accordingly, there is no provision for federal income taxes.

The Company is registered with the State of California and subject to a limited liability company minimum tax of \$800 per year, plus a fee based on total California revenues for up to a maximum of \$11,790. The Company is also subject to taxing authorities in various other states. For the years ended December 31, 2020 and 2019, the Company incurred California limited liability company fees and franchise taxes of \$3,300 for each year.

The Company accounts for uncertain tax positions by making subjective assumptions and judgments regarding its income tax exposures. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and often ambiguous. Interpretations and guidance surrounding income tax laws and regulations change over time. As such, changes in the Company's subjective assumptions and judgments can materially affect amounts recognized in the balance sheets and the statements of operations and changes in members' equity.

The Company's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of December 31, 2020 and 2019.

The Company files income tax returns in U.S. federal and various state jurisdictions. The Company's federal tax returns for years prior to 2017 are no longer subject to examination by the Internal Revenue Service. The Company's various state income tax returns for years prior to 2016 are no longer subject to examination by the various state tax authorities.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition from Contracts with Franchises

The Company transitioned to FASB ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), from ASC Topic 605, *Revenue Recognition*, and ASC Subtopic 952-605, *Franchisors - Revenue Recognition* (together, the Previous Standards) on January 1, 2019, using the modified retrospective transition method. The transition to ASC 606 represents a change in accounting principle. ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled for the exchange for those goods or services. See Note 3 for further information about the Company's transition to this new revenue recognition and cumulative effect adjustment recorded to retained earnings as of January 1, 2019, to reflect the adoption of ASC 606.

The Company's revenues include initial franchise fees, continuing franchise fees, franchise advertising contributions, product sales of equipment and epoxy to franchises, and technology and other licenses fees.

Franchise licensing fees include an initial franchise fee and royalties based on franchise sales, which are presented as continuing franchise fees in the accompanying statements of operations and changes in members' equity. The initial franchise fee begins at \$34,900 for a residential/limited commercial franchise and \$19,900 for a mini-ETM franchise. These initial fees increase incrementally for territories in excess of one million in population. In addition to the initial franchise fee, each new franchise is required to purchase an equipment package ranging from approximately \$42,000 to \$420,000, along with an initial supply of epoxy and materials costing from \$115 to \$4,000. The licenses granted to the franchises are nonexclusive and have a duration of 10 years. Subject to the Company's approval and payment of a nominal renewal fee, a franchisee may generally renew its agreement upon expiration for an additional five years.

The Company also offers technology and other license agreements to nonfranchises that require less marketing and business to support. Technology and other licenses include an initial license fee, but no continuing licensing fees. Additionally, licensees are required to purchase equipment and epoxy, if applicable, from the Company. The technology transfer license and other licenses are materially different from a franchise license and do not allow the licensee to use the Company's licensed marks, and the licensee receives no marketing support from the Company. The licenses granted have a duration of 10 years.

Product revenue is recognized at a point in time when shipped.

Franchise advertising contributions are recognized when the payment is received from the franchisee.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition from Contracts with Franchises (Continued)

At December 31, 2020 and 2019, the Company had a total of 12 and 24 active franchisees, respectively, of which one and three are affiliated with the Company, respectively. Also, during 2020 and 2019, no new franchises were sold. During the year ended December 31, 2020 and 2019, the Company sold one technology and other licenses.

Franchise and Licensing Revenues

Under franchise agreements, the Company provides franchisees with (i) a franchise license, which includes a license to use intellectual property and advertising and promotion management; (ii) preopening services, such as training and commissions; and (iii) ongoing services, such as development of training materials. Under license agreements, the license does not allow the licensee to use the Company's licensed marks, and the licensee receives no marketing support from the Company. The services provided under the franchise agreements are highly interrelated and dependent upon the franchise license, and the Company concluded that the services do not represent individually distinct performance obligations. Consequently, the franchise license performance obligation and promises to provide services are bundled into a single performance obligation under ASC 606, which the Company satisfies by providing the right to use the intellectual property over the term of each franchise agreement.

Initial Franchise Fees – Initial franchise fees are payable by the franchisee upon opening a new franchise agreement. Under ASC 606, initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Unamortized initial franchise fees are recorded as deferred revenue. Under the Previous Standards, these franchise fees were recognized as revenue when substantially all initial services required by the franchise agreements were performed, which was generally upon completion of training, and the Company completed all material services and conditions.

Continuing Franchise Fees – Continuing franchise fees are calculated as a percentage of franchise sales over the term of the franchise agreement and recognized as revenue when the franchisee reports revenue from its gross sales.

Technology and Other Licenses Fees – Technology and other licenses fees are payable by the nonfranchisee upon a new license agreement. Under ASC 606, technology and other licenses fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Unamortized technology and other licenses fees are recorded as deferred revenue. Under the Previous Standards, these technology and other licenses fees were recognized as revenue when substantially all initial services required by the license agreements were performed, which was generally upon completion of training, and the Company completed all material services and conditions.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Advertising and Promotional Costs

The franchisees contribute to an advertising fund managed by the Company. Under the Company's franchise agreements, advertising contributions received from franchisees must be spent on advertising, product development, marketing, and related activities. Advertising contributions received from franchisees are included in franchise revenues and advertising expenses are included as operating expenses as incurred.

Deferred Contract Costs

Deferred contract costs are unamortized incremental costs of acquiring contracts, which primarily consist of commissions paid and training services provided. These deferred contract costs are amortized on a straight-line basis over the term of the agreement.

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial franchise fees paid by franchisees and technology and other licenses fees paid by the licensee, which are generally recognized on a straight-line basis over the term of the underlying agreement.

Use of Estimates

The process of preparing financial statements in accordance U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Recent Accounting Pronouncement – Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Company is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2: Concentrations, Risks, and Uncertainties

The Company maintains cash balances at a single financial institution. At December 31, 2020 and 2019, accounts at this institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At December 31, 2020 and 2019, the Company's balance at this institution in excess of federally insured limits totaled \$54,162 and \$107,747, respectively.

The Company has significant concentrations of revenues, accounts receivable, purchases, and accounts payable with related parties as further described in Note 7.

During the years ended December 31, 2020 and 2019, there were no nonaffiliated franchisees that accounted for more than 10% of the Company's total revenues.

Credit is extended for some customers and is based on financial condition, and generally, collateral is not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

The coronavirus (COVID-19) has recently affected global markets, supply chains, employees of companies, and communities. Specific to the Company, COVID-19 may impact various parts of its operations and financial results, including potential reduced revenue caused by new public health mandates, such as shelter in place orders, material supply chain interruption, economic hardships effecting funding for the Company's construction projects, and effects on the Company's workforce. Management believes that the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this report.

Note 3: Revenue Recognition, Accounts Receivable, Deferred Contract Costs, Contract Assets, and Contract Liabilities

Disaggregation of Revenues

As stated in Note 1, the initial franchise fees and technology and other licenses are recognized over time. Continuing franchise fees are recognized at a point in time when the franchisee reports revenue from its gross sales. Contributions of advertising funds are recognized at a point in time, which is when payment is received from the franchisee. Product revenue is recognized at a point in time, which is when the products are shipped.

Accounts Receivable

Accounts receivable are composed of trade accounts arising in the normal course of business and are stated at the amount that management expects to collect from outstanding balances. The balances at December 31, 2020 and 2019, were \$36,226 and \$10,824, respectively. These balances are net of allowance for doubtful accounts of \$2,230 at each year. Additionally, the balance as of January 1, 2019, was \$10,960, which is net of allowance for doubtful accounts of \$5,365.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3: Revenue Recognition, Accounts Receivable, Deferred Contract Costs, Contract Assets, and Contract Liabilities (Continued)

Deferred Contract Costs

Deferred contract costs are composed of unamortized costs to obtain contracts and upfront costs incurred related to franchises and licenses. The balances at December 31, 2020 and 2019, were \$22,478 and \$31,397, respectively. Additionally, the balance as of January 1, 2019, was \$39,949.

Contract Assets and Liabilities

The Company had no contract assets as of December 31, 2020 and 2019. Additionally, there were no contract assets as of January 1, 2019.

Contract liabilities are composed of unamortized upfront fees received from franchisees and licensees, which are classified as deferred revenues on the accompanying balance sheets. The balance at December 31, 2020 and 2019, was \$88,495 and \$120,806, respectively. Additionally, the balance as of January 1, 2019, was \$158,833.

The Company has applied the optional exemption, as provided for in ASC 606, which allows the Company the ability to not disclose the transaction price allocated to unsatisfied performance obligations when the transaction price is a sales-based royalty.

Impact of Transition to ASC 606 on the Financial Statements

As discussed in Note 1, the Company adopted ASC 606 beginning January 1, 2019, using the modified retrospective method. ASC 606 was applied to all contracts with customers as of January 1, 2019, and the cumulative effect of this transition was recorded as an adjustment to retained earnings as of this date.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3: Revenue Recognition, Accounts Receivable, Deferred Contract Costs, Contract Assets, and Contract Liabilities (Continued)

Impact of Transition to ASC 606 on the Financial Statements (Continued)

Balance Sheet

The following adjustments were made to the balance sheet as of January 1, 2019:

	As Reported December 31, 2018	Adjustments	Adjusted January 1, 2019 with Adoption of ASC 606
Current Assets:			
Cash and cash equivalents	\$ 16,448	\$ -	\$ 16,448
Cash and cash equivalents - restricted	9,737	-	9,737
Accounts receivable, net of allowance for doubtful accounts	10,960	-	10,960
Accounts receivable - related party	698,446	-	698,446
Inventories	103,390	-	103,390
Prepaid expenses and other current assets	9,088	7,741	16,829
Deferred contract costs	<u>-</u>	<u>39,949</u>	<u>39,949</u>
Total Current Assets	848,069	47,690	895,759
Property and Equipment, Net Book Value	<u>6,896</u>	<u>-</u>	<u>6,896</u>
Total Assets	<u>\$ 854,965</u>	<u>\$ 47,690</u>	<u>\$ 902,655</u>
	As Reported December 31, 2018	Adjustments	Adjusted January 1, 2019 with Adoption of ASC 606
Current Liabilities:			
Accounts payable	\$ 4,532	\$ 10,122	\$ 14,654
Accounts payable - related party	159,991	-	159,991
Accrued liabilities	69,118	(51,375)	17,743
Deferred revenues	<u>-</u>	<u>158,833</u>	<u>158,833</u>
Total Liabilities	233,641	117,580	351,221
Members' Equity	<u>621,324</u>	<u>(69,890)</u>	<u>551,434</u>
Total Liabilities and Members' Equity	<u>\$ 854,965</u>	<u>\$ 47,690</u>	<u>\$ 902,655</u>

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3: Revenue Recognition, Accounts Receivable, Deferred Contract Costs, Contract Assets, and Contract Liabilities (Continued)

Impact of Transition to ASC 606 on the Financial Statements (Continued)

Deferred contract costs and deferred revenues increased by \$39,949 and \$158,833, respectively, as part of the cumulative adjustment related to unamortized contract costs (upfront costs) and unearned initial franchise fees and technology and other licenses fees, with a corresponding \$118,884 net decrease in retained earnings.

The remaining adjustments to the December 31, 2018, balance sheet are primarily a result of reclassifying the assets and liabilities of NAF to the respective balance sheet caption to which the assets and liabilities relate, with a corresponding \$48,994 increase in retained earnings.

Statement of Operations

The following reflects the impact of adopting ASC 606 on the statement of operations for the year ended December 31, 2019, as well as the amount as if the guidance in effect prior to adoption were applied:

	As Reported for Year Ended December 31, 2019	Adjustments	Amount without Adoption of ASC 606
Revenues:			
Continuing franchise fees	\$ 754,629	\$ -	\$ 754,629
Initial franchise fees	17,428	(17,428)	-
License fee - related party	159,700	-	159,700
Product sales	378,842	-	378,842
Technology and other licenses fees	32,475	(20,600)	11,875
Franchise advertising contributions	191,140	(191,140)	-
Other	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total Revenues	1,548,214	(229,168)	1,319,046
Operating Expenses:			
Cost of products sold	267,564	(8,553)	259,011
License fee - related party	240,000	-	240,000
Consulting - related party	476,000	-	476,000
Franchise advertising expenses	115,716	(115,716)	-
General and administrative	<u>318,196</u>	<u>-</u>	<u>318,196</u>
Total Operating Expenses	<u>1,417,476</u>	<u>(124,269)</u>	<u>1,293,207</u>
Net Income	<u>\$ 130,738</u>	<u>\$ (104,899)</u>	<u>\$ 25,839</u>

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3: Revenue Recognition, Accounts Receivable, Deferred Contract Costs, Contract Assets, and Contract Liabilities (Continued)

Impact of Transition to ASC 606 on the Financial Statements (Continued)

As described above, the transition to ASC 606 resulted in the deferral of franchise and technology and other licenses fees revenue and costs to obtain contracts. The adjustments for 2019 reflect the recognition of this revenue, and costs as if the previous standards were in effect consist of a \$17,428 decrease in initial franchise fees, a \$20,600 decrease in technology and other licenses fees, and an \$8,553 decrease in cost of products sold.

Additionally, under the Previous Standards the Company's statement of operations did not reflect gross presentations of advertising fund contributions and expenses. The transition to ASC 606 requires the presentation of advertising fund contributions and advertising fund expenses on a gross basis. The adjustments for 2019 reflect advertising fund contributions and expenses as if the Previous Standards were in effect and consist of a \$191,140 decrease in franchise advertising contributions and a \$115,716 decrease in franchise advertising expenses.

Statement of Cash Flows

The following reflects the impact of adopting ASC 606 on the statement of cash flows for the year ended December 31, 2019, as well as the amount as if the guidance in effect prior to adoption were applied:

	As Reported for Year Ended December 31, 2019	<u>Adjustments</u>	Amount without Adoption of ASC 606
Cash Flows from Operating Activities:			
Net Income	\$ 130,738	\$ (104,899)	\$ 25,839
Noncash Items Included in Net Income:			
Allowance for doubtful accounts	(3,135)	-	(3,135)
Depreciation expense	1,244	-	1,244
Changes in:			
Accounts receivable	3,271	-	3,271
Accounts receivable - related party	479,253	-	479,253
Inventories	(2,349)	-	(2,349)
Prepaid expenses and other current assets	(792)	1,950	1,158
Deferred contract costs	8,552	(8,552)	-
Accounts payable	21,543	(6,685)	14,858
Accounts payable - related party	(159,991)	-	(159,991)
Accrued liabilities	16,830	80,159	96,989
Deferred revenues	<u>(38,027)</u>	<u>38,027</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>457,137</u>	<u>-</u>	<u>457,137</u>

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3: Revenue Recognition, Accounts Receivable, Deferred Contract Costs, Contract Assets, and Contract Liabilities (Continued)

Impact of Transition to ASC 606 on the Financial Statements (Continued)

Statement of Cash Flows (Continued)

	As Reported for Year Ended December 31, 2019	Adjustments	Amount without Adoption of ASC 606
Net Increase in Cash and Cash Equivalents	\$ 457,137	\$ -	\$ 457,137
Cash and Cash Equivalents - Beginning of Year	<u>26,185</u>	<u>-</u>	<u>26,185</u>
Cash and Cash Equivalents - End of Year	<u>\$ 483,322</u>	<u>\$ -</u>	<u>\$ 483,322</u>

As described above, the transition to ASC 606 resulted in the deferral of franchise and technology and other licenses fees revenue and costs to obtain contracts. The adjustments for 2019 reflect the removal of these deferrals from the December 31, 2019, balance sheet and the recognition of this revenue and costs as if the Previous Standards were in effect.

The remaining adjustments to the December 31, 2019, statement of cash flows are primarily a result of reclassifying the assets and liabilities of the advertising fund to the respective balance sheet caption to which the assets and liabilities relate. There was no change in the balance of cash and cash equivalents because the cash related to the advertising fund was already reported within the balance.

Note 4: Property and Equipment

At December 31, 2020 and 2019, property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 28,512	\$ 32,385
Computer equipment	<u>1,741</u>	<u>3,258</u>
Total property and equipment, at cost	30,253	35,643
Less: Accumulated depreciation	<u>(25,845)</u>	<u>(29,991)</u>
Property and Equipment, at Net Book Value	<u>\$ 4,408</u>	<u>\$ 5,652</u>

Depreciation expense for the years ended December 31, 2020 and 2019, totaled \$1,244 and \$1,244, respectively.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 5: Members' Equity

The Company has a total of 3,000,000 Class A units and 2,000,000 Class B units authorized, with 1,898,502 Class A and 268,000 Class B units issued and outstanding at December 31, 2020 and 2019, respectively. Approximately 86,000 Class A units issued prior to December 30, 2005, are entitled to a 10% preferred return. The remaining Class A units are entitled to a 12% preferred return. As of December 31, 2020 and 2019, no preferred return distributions have been declared or paid.

At December 31, 2020, the Company has approved and recorded an accrued member distribution totaling \$16,959.

Note 6: Commitments and Contingencies

Operating Leases

The Company leases equipment under noncancelable intercompany operating leases on a month-to-month basis. The Company's facilities in Santa Ana, California, are leased by an affiliated company. The Company and its affiliates share in the rent of the lease. Total rent expense for the years ended December 31, 2020 and 2019, was approximately \$19,000 each year.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

Note 7: Related-Party Transactions

The Company's controlling members are also controlling members of Pipe Restoration Technologies, LLC (PRT). The Company has a license agreement with PRT, which commenced in October 2001 and was last amended in October 2013. The license gives the Company the exclusive right in North America to use PRT's trade secrets, service performance system, and trademarks in conjunction with the Company's development, operations, promotions, licensing, and relicensing of a business using the service performance system.

In connection with the license agreement with PRT, the Company incurs monthly license fees based on sales of business licenses, subject to monthly minimums. Total license fees incurred during the years ended December 31, 2020 and 2019, were \$240,000 for each year. This agreement continues until terminated in accordance with the provisions of the agreement, but in no case later than five years past the expiration of the last license/franchise agreement issued by the Company in North America.

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 7: Related-Party Transactions (Continued)

PRT holds a controlling interest in Pipe Restoration, Inc. (PRI), which is an affiliated franchisee of the Company. The Company's franchise agreement with PRI covers four counties in Southern California: Orange, Los Angeles, Ventura, and Riverside (Covered Territories). Effective January 1, 2017, the Company and PRI amended their license agreement. Under the terms of the amended agreement, in addition to the 6% royalty calculated on gross receipts, PRI became subject to a 15% license fee (15% License Fee) payable to the Company on all of its revenues, except for certain transactions between affiliates.

Subsequently, the Company's franchise agreement with PRI was amended as follows:

- Effective November 1, 2017, the license agreement was amended, and as a result, PRI's revenues within the Covered Territories were no longer subject to the 15% License Fee, but PRI's revenues outside of the Covered Territories remained subject to the 15% License Fee, in addition to the 6% royalty calculated on gross receipts.
- Effective April 1, 2018, the agreement was amended to reduce the 6% royalty on gross receipts from 6% to 3% within the Covered Territories.
- Effective January 1, 2019, the agreement was amended, and the royalty rate for the Covered Territories was changed again to 6%.

During the years ended December 31, 2020 and 2019, royalties from PRI totaled approximately \$474,000 and \$649,000, respectively, and the 15% License Fee totaled approximately \$217,000 and \$160,000, respectively.

Revenues from PRI represent 81% and 69% of the Company's revenues during the years ended December 31, 2020 and 2019, respectively.

Revenues from related parties are as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
PRT	\$ -	\$ 128,223
PRI	<u>1,074,081</u>	<u>1,087,808</u>
	<u>\$ 1,074,081</u>	<u>\$ 1,216,031</u>

Accounts receivable from related party as of December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
PRI	<u>\$ 378,617</u>	<u>\$ 219,193</u>

ACE DURAFLO SYSTEMS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 7: Related-Party Transactions (Continued)

For the years ended December 31, 2020 and 2019, the Company purchased \$246,955 and \$227,873, respectively, of pipe coating material from PRT, which represent 92% and 85%, respectively, of the Company's total purchases. No balances were owed to PRT at December 31, 2020 and 2019.

The Company shares the same management, many of its employees, and facilities as PRT and PRI. For the years ended December 31, 2020 and 2019, salary expense allocated to these affiliates totaled \$179,535 and \$230,235, respectively.

The Company's directors and affiliates of its directors provide certain consulting services for the Company. During 2020 and 2019, the Company incurred \$331,000 and \$476,000, respectively, in such consulting services from these related parties.

Note 8: Employee Benefit Plan

Effective March 1, 2011, the Company adopted the Strategic Outsourcing, Inc. Multiple Employer 401(k) plan (the Plan), which replaced its original 401(k) plan established in 2002. The Plan covers all eligible employees of the Company and PRI. All employees that have attained the age of 21 years and have completed six months of service are eligible to participate in the Plan. Employees can elect to defer up to the maximum allowed by law of their compensation for the Plan year. The Plan provides for discretionary matching and profit-sharing contributions. For the years ended December 31, 2020 and 2019, the Company did not make any matching or discretionary contributions to the Plan.

Note 9: Subsequent Events

Events occurring after December 31, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of April 8, 2021, which is the date the financial statements were available to be issued.

EXHIBIT C
LIST OF EXISTING FRANCHISEES



EXHIBIT C
LIST OF EXISTING FRANCHISEES
AS OF DECEMBER 31, 2021
ACE DuraFlo Systems, LLC

CALIFORNIA

Serving San Bernardino County

S.O.S Pipe Restoration
Chris Fults
12888 Western Avenue
Garden Grove, California 92841
Phone: (888) 882-1080

Serving Orange County

Dymek's Freedom Plumbing
Ronald Dymek
1325 Red Gum St. #9
Anaheim, California 92806
Phone: (714) 632-8989

FLORIDA

**Serving Orlando, Tampa, and the
following Central Florida counties: Lake,
Seminole, Orange, Osceola, Hernando,
Pasco, Pinellas, and Hillsborough,
Manatee**

Florida Pipe-Lining Solutions
Ron Coddington
224 Field End Street
Sarasota, Florida 34240
Phone: (941) 308-LEAK (5325)

**Serving Orlando, Tampa, and the
following Central Florida counties: Polk,
Sarasota, Hardee, Desoto, Charlotte, Lee,
Collier and Citrus**

Florida Pipe-Lining Solutions
Rod Coddington
224 Field End Street
Sarasota, Florida 34240
Phone: (941) 308-LEAK (5325)

OHIO

Serving Cincinnati Area

Restoration Piping Technologies
AJ Nieman
2030 Stapleton Court
Cincinnati, Ohio 45240
Phone: (513) 851-1925

SOUTH CAROLINA

Serving Horry County

WaterShed Plumbing, Inc.
Mike Stevens
1304 Madison Drive
N. Myrtle Beach, South Carolina 29582
Phone: (843) 399-5190

TEXAS

Serving the Greater San Antonio Area

Texas Drain Technologies, Incorporated
Gary Gould
4918 Pinemont Suite A
Houston, Texas 77092
Phone: (713) 697-2088

Serving the Austin Area

Texas Drain Technologies, Incorporated
Gary Gould
4918 Pinemont Suite A
Houston, Texas 77092
Phone: (713) 697-2088

Serving the Greater Houston Area

Texas Drain Technologies, Incorporated
Gary Gould
4918 Pinemont Suite A
Houston, Texas 77092
Phone: (713) 697-2088



**EXHIBIT C
LIST OF EXISTING FRANCHISEES
AS OF DECEMBER 31, 2021**

ACE DuraFlo Systems, LLC

Serving the Midland/Odessa Area

A & D Plumbing

Tony Dobbratz

3118 Clearview Dr.

San Angelo, Texas 76904

Phone: (325) 656-8228



EXHIBIT C
LIST OF EXISTING COMPANY-OWNED OUTLETS
AS OF DECEMBER 31, 2021
ACE DuraFlo Systems, LLC

Serving the metro area of Washington, D.C., and these counties in California:
Los Angeles, Orange, Riverside and Ventura

Pipe Restoration, Incorporated
Larry Gillanders
3122 West Alpine Avenue
Santa Ana, California 92704
Phone: (714) 564-7600

EXHIBIT D
LIST OF TERMINATED FRANCHISES



**EXHIBIT D -
TERMINATED LOCATIONS
DURING FISCAL YEAR 2021**

ACE DuraFlo Systems, LLC

LIST OF TERMINATED FRANCHISEES

The following are the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who, during our most recent fiscal year, have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Serving the Greater Houston Area

Pickett Plumbing
Walter Pickett
6646 Satsuma Drive
Houston, Texas 77041
Phone: (713) 896-9700



**EXHIBIT D -
TERMINATED LOCATIONS
DURING FISCAL YEAR 2021**

ACE DuraFlo Systems, LLC

LIST OF TERMINATED COMPANY-OWNED OUTLETS

None.

EXHIBIT E
CONFIDENTIAL TECHNICAL AND EQUIPMENT MANUAL



**EXHIBIT E -
TECHNICAL MANUAL TABLE OF CONTENTS**

ACE DuraFlo Systems, LLC

<u>Item No.</u>	<u>Name</u>	<u>Number of Pages</u>
1	History of Pipe Restoration, Corrosion of Piping Systems	8
2	Repairing Damaged Piping Systems	2
3	Basic Plumbing	3
4	Site Visit	9
5	ACE DuraFlo® System	63
6	The ACE DuraFlo® Equipment	13
7	Residential System Overview	10
8	Permits and Approvals on Pipe Restoration	17
	Total Pages	125



**EXHIBIT E -
EQUIPMENT MANUAL TABLE OF CONTENTS**

ACE DuraFlo Systems, LLC

<u>Item No.</u>	<u>Name</u>	<u>Number of Pages</u>
1.00	ADF CD65 Epoxy Dispenser	2
1.01	ADF CD65 Operators Manual	26
1.02	ADF CD65 Spacer Chart	2
2.00	ADF Main Air Header	6
3.00	ADF Sander	11
4.00	ADF Separator	2
5.00	ADF Dust Collector	7
6.00	Initial Hose and Parts Order	17
6.01	ADF Decal Order	1
6.02	ADF Pipe Labels	1
Total Pages		75

EXHIBIT F
LIST OF STATE FRANCHISE ADMINISTRATORS

EXHIBIT F
LIST OF STATE FRANCHISE ADMINISTRATORS

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws:

California

Department of Financial Protection & Innovation
State of California
Suite 750
320 W. 4th Street
Los Angeles, California 90013-2344
(213) 576-7500
1 (866) 275-2677
ask.dfpi@dfpi.ca.gov

Hawaii

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
State of Hawaii
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2744

Illinois

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

Indiana

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

Maryland

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-6360

Michigan

Consumer Protection Division
Franchise Section
Michigan Department of Attorney General
G. Mennen Williams Building, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Franchise Section
85 7th Place East
St. Paul, Minnesota 55101-2198
(651) 296-6328

New York

Bureau of Investor Protection and Securities
New York State Department of Law
23rd Floor
120 Broadway
New York, New York 10271
(212) 416-8211

North Dakota

North Dakota Securities Department
State of North Dakota
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510
(701) 328-4712

Washington

Department of Financial Institutions
Securities Division
State of Washington
150 Israel Rd. SW
Tumwater, Washington 98501
(360) 902-8738

Oregon

Department of Consumer and Business
Services
Division of Finance and Corporate Securities
State of Oregon
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140

Wisconsin

Division of Securities
Department of Financial Institutions
Wisconsin Commissioner of Securities
P.O. Box 1768
Madison, Wisconsin 53701-1768
(608) 266-8559

Rhode Island

Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02920
(401) 222-3048

South Dakota

Division of Insurance
Securities Regulation
State of South Dakota
124 S Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street, 9th floor
Richmond, Virginia 23219
(804) 371-9051

EXHIBIT G
PERSONAL GUARANTY

EXHIBIT G
PERSONAL GUARANTY

IN CONSIDERATION for, and as an inducement for ACE DuraFlo Systems, LLC (Company/Franchisor, hereinafter referred to as Company), to enter into the Franchise Agreement to which this Guaranty is attached (the Franchise Agreement), the undersigned hereby jointly and severally guarantee to Company and to Company's successors and assigns the payment of all amounts required to be paid to the Company or its affiliates by the Franchisee identified in the Franchise Agreement (Franchisee), whether provided for in the Franchise Agreement or under any other agreement between the Company and the Franchisee, and the performance by the Franchisee of all of the provisions of all such agreements. The undersigned further specifically agree to be individually bound by all covenants, obligations and commitments of Franchisee contained in the Franchise Agreement to the same extent as if each of the undersigned had individually executed the Franchise Agreement as Franchisee.

The undersigned understand and agree that any modification of the Franchise Agreement, including any addendum or addenda thereto, or waiver by Company of the performance by Franchisee of its obligations thereunder, or the giving by Company of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of Company or any failure by Company to enforce any of its rights under the Franchise Agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of Franchisee is so released, terminated, or affected or diminished. Notice to the undersigned of any such modification, waiver, extension or forbearance under the terms thereof is hereby waived. This Guaranty shall be enforceable upon ten (10) days' written notice by Company to any of the undersigned of any default by Franchisee of any of its covenants under the terms of the Franchise Agreement and addendum or addenda thereto, or any other agreement between the Franchisee and the Company.

The undersigned agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Personal Guaranty.

The undersigned hereby waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment of the Franchise Agreement, in whole or in part, that Company or its assignees may make.

Dated: _____

Dated: _____

Dated: _____



EXHIBIT H

PERSONAL COVENANT AGREEMENT

IN CONSIDERATION of the consent by the Company/Franchisor ("Company") to the grant or assignment of the Franchise Agreement to which this Personal Covenant Agreement is attached (the Franchise Agreement), and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby represent and covenant as follows:

(1) The Franchisee named in the Franchise Agreement is an entity with a tangible net worth determined in accordance with generally accepted accounting principles, of not less than Two Hundred Thousand (\$200,000), and it has had such a net worth throughout each of its last two fiscal years; and

(2) Each of the undersigned shall be bound by, and will adhere to, all covenants, obligations, and commitments of the Franchisee contained in Articles XVI and XVII of the Franchise Agreement to the same extent as if he or she had individually been named as the Franchisee in the Franchise Agreement and had individually executed the Franchise Agreement.

The undersigned acknowledges that the Company would not grant or assign the Franchise to the Franchisee if not for the accuracy of the representation contained in Clause (1) above, and the covenant of each of the undersigned contained in Clause (2) above. The undersigned therefore understand and acknowledge that if the representation in Clause (1) is inaccurate, then the undersigned shall be deemed to have jointly and severally guaranteed to the Company all fees and amounts required to be paid to the Company or its affiliates by the Franchisee, whether provided for in the Franchise Agreement or otherwise owing, and the performance by the Franchisee of all of the provisions of such agreements. At the same time, so long as the representation in Clause (1) is accurate, the undersigned shall not be deemed to have guaranteed any obligations of the Franchisee to the Company, and shall only be liable for his or her own breach of the covenant contained in Clause (2) above.

The undersigned agrees that Articles XXII and XXIV of the Franchise Agreement shall be incorporated into this Personal Covenant Agreement, as if fully stated herein.

Any modification of the Franchise Agreement, including any addendum or addenda thereto, or waiver by the Company of the performance by the Franchisee of its obligations thereunder, or the giving by the Company of any extension of time for the performance of any of the obligations of the Franchisee thereunder, or any other forbearance on the part of the Company or any failure by the Company to enforce any of its rights under the Franchise Agreement, including any addendum or addenda thereto, or any other agreement between the Franchisee and the Company, will not in any way release the undersigned from liability hereunder or terminate, affect, or diminish the validity of this Personal Covenant Agreement, except to the same extent, but only to such extent that the liability or obligation of the Franchisee is so released, terminated, affected, or diminished. Notice to the undersigned of any such modification, waiver, extension, or forbearance under the terms thereof is waived.

The undersigned agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Personal Covenant Agreement.

The undersigned hereby waive any and all notice of default on the part of the Franchisee; waive exhausting of recourse against the Franchisee; and consent to any assignment of the Franchise Agreement, in whole or in part, that the Company or its assignees may make.

Dated: _____

Dated: _____

Dated: _____

EXHIBIT I
REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS OF FRANCHISEE

To induce ACE DuraFlo Systems, LLC (Company/Franchisor hereinafter referred to as "Company") to enter into this Agreement and consummate the transactions contemplated hereby, ("Franchisee") hereby represents and warrants to Company as follows:

I/We are not presently engaged in the pipe renovation, pipe maintenance, or pipe restoration business, or business in which Company operates, nor prior to being exposed to this opportunity have considered being in such business.

Company expressly disclaimed the making of, and I/we acknowledge that I/we have not received or relied upon, any representations, claims or guaranties, express or implied, as to the revenues, sales, profits or success of any ACE DuraFlo® business ("ACE DuraFlo® Business") or the extent to which Company will continue to develop and expand the network of ACE DuraFlo® Businesses. Any budgets or forecasts we have as to sales, profits or otherwise were prepared by our agents or us and do not constitute information obtained from Company. I/We acknowledge Company makes no representation as to the accuracy of, and expressly disclaims, any such information.

I/We agree that the terms and provisions of this Agreement are reasonable and necessary to maintain high standards of quality and service and the uniformity of those standards at each ACE DuraFlo® office and thereby to protect and preserve the goodwill of the Marks and the System, as well as the interests of Company and each ACE DuraFlo® Franchisee/Franchisee ("ACE DuraFlo® Franchisee(s)").

I/We acknowledge that the success of the business venture contemplated to be undertaken is speculative, is and will be dependent upon my/our personal efforts, that entry into any business enterprise is always associated with risk, and that no assurance of success has been or can be given by Company.

I/We acknowledge and represent that I/we have entered into this Agreement and made an investment only after (1) making an independent investigation of the opportunity, and (2) having had an opportunity to have this transaction and all related documents reviewed by an attorney and a financial advisor of our choosing, such review having been recommended by you.

In signing this Agreement, I/we acknowledge: (a) the importance of operating the ACE DuraFlo® office in strict conformity with the standards and each aspect of the System as modified from time-to-time; and (b) that I/we have conducted an independent investigation and recognize that, like any other businesses, the nature of the business will evolve and change over time as the System changes.

I/We understand that entry into any business venture necessarily involves some unavoidable risk of loss or failure, that while the purchase of a franchise may improve the chances for success, our purchase of an ACE DuraFlo® (or any other) franchise is a speculative investment, that significant investment may be required to succeed, that there exists no guaranty against possible loss or failure in this or any other business and that the most important factors in the success of any ACE DuraFlo® Franchise, including the one to be

operated by us, are our personal efforts and our technical, business, marketing, sales, management, judgment and other skills.

I/We agree that I/we will lend our best efforts on a full time basis to achieve success and that I/we will faithfully follow the marketing, business and other elements of the System as contained in all ACE DuraFlo® Manuals (the "Manuals"), as they may change from time-to-time.

As an inducement to Company entering into this Agreement with us, I/we represent and warrant that: (a) in all of your dealings with us, your officers, directors, employees and agents act only in a representative capacity and not in an individual capacity; (b) I/we have made no misrepresentations or omissions in obtaining the ACE DuraFlo® franchise; and I/we have fully read and understood this Agreement, all questions raised by us having been satisfactorily answered.

I/We acknowledge having received a copy of Company's Franchise Disclosure Document, and understand that I/we have had the opportunity to review that document, and to review the document with an attorney or other representative of my/our choosing. No statement has been made to me/us to induce me/us to enter into a Franchise Agreement that is contrary to any of the provisions of such Franchise Agreement, or any statements contained in the Franchise Disclosure Document. I recognize that no such statements have been authorized and if they had been made to me/us, it would not be reasonable for me/us to rely on them in light of the fact that they have not been authorized.

I understand that the acknowledgements in this Agreement shall not act as a release, estoppel or waiver of any claims under the Maryland Franchise Registration and Disclosure Law to the extent the purchase of the franchise falls within the purview of that law.

For: _____
Name of Franchisee

By: _____
Signature of Franchisee or Officer

Name of Party Signing

Position with Franchisee

EXHIBIT J
AGENTS FOR SERVICE OF PROCESS

California

Commissioner of Department of Financial Protection
and Innovation
State of California
Department of Financial Protection and Innovation,
Suite 750
320 W. 4th Street
Los Angeles, California 90013-2344

Hawaii

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois

Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706

Indiana

Secretary of State
State of Indiana
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

Maryland

Maryland Securities Commissioner
Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Michigan

Michigan Department of Commerce
Corporation & Securities Bureau
6546 Mercantile Way
Lansing, MI 48909

Minnesota

Commissioner of Commerce
Minnesota Department of Commerce
Franchise Section
85 7th Place East
St. Paul, Minnesota 55101-2198

New York

Secretary of State
State of New York
99 Washington Avenue
Albany, New York 12231

North Dakota

North Dakota Securities Department
State of North Dakota, Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510

Oregon

Department of Consumer and Business
Services
Division of Finance and Corporate Securities
State of Oregon
350 Winter Street, N.E., Room 21
Salem, Oregon 97310

Rhode Island

Department of Business Regulation
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02920

South Dakota

Franchise Administration
Division of Insurance
Securities Regulation
State of South Dakota
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

Virginia

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

Washington

Director of Financial Institutions
Securities Division
State of Washington
150 Israel Rd. SW
Tumwater, Washington 98501

Wisconsin

Commissioner of Securities
Wisconsin Securities Commission
345 W. Washington, 4th Floor
Madison, Wisconsin 53703

EXHIBIT K
STATE ADDENDUM

Certain states require a franchisor to register with a state agency in order to offer or sell franchises to residents of the state or for locations in the state. These states are: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, VIRGINIA, WASHINGTON and WISCONSIN.

As a condition of registration in certain of these states, a franchisor must disclose additional information required by the state. In some states, you must sign an amendment to the Franchise Agreement. This exhibit includes all of the additional state-specific disclosures and Addendum to Franchise Agreement forms.

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED WITH THE FRANCHISE DISCLOSURE DOCUMENT.

1. In addition to the information disclosed in Item 3:

Neither the Company/Franchisor ("Company") nor any person identified in Item 2 of this Franchise 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 persons from membership in such association or exchange.

2. In addition to the information disclosed in Item 17:

- a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If our Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

- b. 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.).

- c. 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.

- d. SECTION 31125 OF THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

- e. The Franchise Agreement requires the application of the laws of Nevada. This choice of law may not be enforceable with respect to claims that arise under the California Franchise Investment Law or California Franchise Relations Act.

- f. California requires that a person who provides home improvement services or alterations to buildings or other structures in California, which may encompass the Authorized Services, obtain a Contractor's license from the California Contractors State License Board if the total cost (labor/materials) of one or more contracts on a project exceeds \$500. You are responsible for obtaining all necessary licenses in order to perform Authorized Services in California.

- g. The Franchise Agreement contains certain provisions which may limit your rights including, without limitation: (i) a waiver of jury trial; (ii) expedited discovery; (iii) a

shorter limitation of action period than provided by the otherwise applicable statute of limitations; (iv) a waiver of punitive damages; and (v) a class action waiver. These provisions apply equally to us as Company.

h. The California Franchise Investment Law requires us to make the following disclosure:

(1) "YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A PROSPECTIVE WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTION 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A PROSPECTIVE WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043)."

(2) OUR WEBSITES ARE WWW.ACEDURAFLO.COM AND WWW.FIXMYPIPES.COM. OUR WEBSITES HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

**STATE ADDENDUM TO
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

This **STATE ADDENDUM TO FRANCHISE AGREEMENT** ("State Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("**Company**", "**we**", "**our**" or "**us**") and _____ ("**you**" or "**your**"), subject to the following recitals:

RECITALS

A. You are a resident of the State of California or a non-resident that is acquiring a license to operate an ACE DuraFlo® franchise business in a designated geographic area in the State of California.

B. We mutually desire to amend the Franchise Agreement in order to comply with the requirements of California law.

C. All capitalized terms in this State Addendum shall have the same meaning assigned to them in the Franchise Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged by us, we agree as follows:

1. The above recitals are incorporated by us and made a part of this State Addendum.

2. No statement, questionnaire, or acknowledgment that you sign or agree to 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 us or any franchise seller or other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

3. The Franchise Agreement shall be given full force and effect as amended by this State Addendum.

IN WITNESS WHEREOF parties have executed this State Addendum on the date first above written.

Company:

ACE DURAFLO SYSTEMS, LLC

By: _____

Name: _____

Title: _____

Franchisee:

By: _____

Name: _____

Title: _____

HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE 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.

2. Section 482E-(3), Hawaii Revised Statutes, provides that franchisee may be entitled to certain compensation upon termination or refusal to renew the franchise. To the extent such Section is applicable, the franchisee shall have an interest in the franchise upon termination or refusal to renew as specified therein.

3. No release language set forth in the Franchise Agreement shall relieve Company or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Attorney General of Illinois requires the following specific disclosures to be made to prospective Illinois franchisees:

1. The Franchise Agreement will not in any way prevent you from submitting matters to the jurisdiction of the courts of Illinois in accordance with Illinois Franchise Disclosure Act of 1987 (the "Illinois Act").
2. The conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Illinois Law 815 ILCS 705/19 and 705/20.
3. The Illinois Act provides at Section 705/4 that "any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State [Illinois] is void provided that a franchise agreement may provide for arbitration in a forum outside of this State [Illinois]."
4. Illinois residents and non-residents who own a franchise located in the State of Illinois will enter into the Illinois Addendum to Franchise Agreement in the form attached to this Exhibit. Pursuant to the Illinois Addendum, the provisions of the Illinois Act will supersede any provision of the Franchise Agreement or Nevada law which are in conflict with the Illinois Act. Additionally, Illinois law shall be applied to, and govern, any claim between the parties that alleges a violation of the Illinois Act.
5. Illinois law requires us to give you a copy of the Franchise Disclosure Document at least 14 calendar days before you sign the Franchise Agreement or other binding agreement or before we receive any consideration from you, whichever first occurs.

**FIRST ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF ILLINOIS**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Illinois or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of Illinois.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of Illinois law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") shall supersede any provision of the Contracts or Nevada law which are in conflict with the Act.

3. Illinois law shall be applied to, and govern, any claim between the parties that alleges a violation of the Act.

4. The parties hereby amend Section 24.01 of the Franchise Agreement by adding the following at the end of the paragraph:

"Nothing in this provision waives any rights you may have under Section 41 of the Illinois Franchise Disclosure Act of 1987."

5. To the extent that the Contracts require that litigation be brought in a forum outside of the State of Illinois, the provision shall not be effective for Franchise Agreements entered into with an Illinois resident for an Operating Territory in Illinois. Any arbitration or mediation proceedings shall take place in Orange County, California; however, any litigation or other action brought in connection with or arising out of the Franchise Agreement shall take place in an appropriate court in Illinois.

6. To the extent that the Contracts establish a limitations period for bringing an action that is shorter than the limitations period established by Illinois law, Illinois law shall control. The parties hereby amend Section 6 of Exhibit 3 - Dispute Resolution to the Franchise Agreement, and Schedule A re: Dispute Resolution attached to any of the other Contracts in order to add the following to the end of the paragraph: "Nothing in this provision waives any rights you may have under Section 27 of the Illinois Franchise Disclosure Act of 1987."

7. To the extent that the Contracts require Franchisee to waive the Company's duty to comply with any provision of Illinois law, Company agrees that the provision is void. However, this section shall not prevent the parties from entering into a settlement agreement or prevent Franchisee from executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

8. The parties hereby amend Sections 4 and 5 of Exhibit 3 - Dispute Resolution to the Franchise Agreement and Schedule A re: Dispute Resolution attached to any of the other Contracts in order to add the following to the end of the paragraph:

"Nothing in this provision waives any rights you may have under Section 4 of the Illinois Franchise Disclosure Act of 1987."

9. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

By: _____

Its: _____

FRANCHISEE:

[NAME]

By: _____

Its: _____

INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Indiana Securities Division requires the following specific disclosures to be made to prospective Indiana franchisees:

1. Indiana has a statute, the Indiana Deceptive Practices Act (the "Act"), which makes it unlawful for a franchise agreement with an Indiana resident or nonresident who will operate a franchise in Indiana to contain any of the following provisions:

a. Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where the goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute the improper designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute an improper designation. This paragraph does not apply to goods, supplies, inventories, or services that are manufactured or trademarked by, or for, the franchisor.

b. Allowing the franchisor to establish a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

c. Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

d. Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

e. Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by Indiana law or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This paragraph does not apply to arbitration before an independent arbitrator.

f. Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this paragraph.

g. Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the franchise agreement.

h. Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This paragraph shall not prohibit a franchise agreement from providing that the agreement is not renewable meets certain conditions specified in the agreement.

i. Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of an exclusive area provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

j. Limiting litigation brought for breach of the agreement in any manner whatsoever.

k. Requiring the franchisee to participate in any (i) advertising campaign or contest; (ii) promotional campaigns; (iii) promotional materials; or (iv) display decorations or materials, in each case at any expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

l. Requiring a franchisee to enter into an agreement providing the franchisor with any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or materials provided by the franchisor or by the franchisor's negligence.

m. Requiring a franchisee to enter into an agreement reserving the right to injunctive relief and any specific damages to the franchisor, limiting the remedies available to either party without benefit of appropriate process or recognizing the adequacy or inadequacy of any remedy under the agreement.

2. It is unlawful for any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana to engage in any of the following acts and practices in relation to the agreement:

a. Coercing the franchisee to:

(1) Order or accept delivery of any goods, supplies, inventories, or services which are neither necessary to the operation of the franchise, required by the franchise agreement, required by law, nor voluntarily ordered by the franchisee.

(2) Order or accept delivery of any goods offered for sale by the franchisee which includes modifications or accessories which are not included in the base price of those goods as publicly advertised by the franchisor.

(3) Participate in an advertising campaign or contest, any promotional campaign, promotional materials, display decorations, or materials at an expense to the franchisee over and above the maximum percentage of gross monthly sales or the maximum absolute sum required to be spent by the franchisee provided for in the franchise agreement;

and absent a maximum expenditure provision in the franchise agreement, no such participation may be required; or

(4) Enter into any agreement with the franchisor or any designee of the franchisor, or do any other act prejudicial to the franchisee, by threatening to cancel or fail to renew any agreement between the franchisee and the franchisor. Notice in good faith to any franchisee of the franchisee's violation of the terms or provisions of a franchise or agreement does not constitute a violation of this paragraph.

b. Refusing or failing to deliver in reasonable quantities and within a reasonable time after receipt of an order from a franchisee for any goods, supplies, inventories, or services which the franchisor has agreed to supply to the franchisee, unless the failure is caused by acts or caused beyond the control of the franchisor.

c. Denying the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise.

d. Establishing a franchisor-owned business that is substantially identical to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement, or if no exclusive territory is designated, competing unfairly with the franchisee within a reasonable area. However, a franchisor shall not be considered to be competing when operating a business either temporarily for a reasonable period of time, or in a bona fide retail operation which is for sale to any qualified independent person at a fair and reasonable price, or in a bona fide relationship in which an independent person has made a significant investment subject to loss in the business operation and can reasonably expect to acquire full ownership of such business on reasonable terms and conditions.

e. Discriminating unfairly among its franchisees or unreasonably failing or refusing to comply with any terms of a franchise agreement.

f. Obtaining money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for and transmitted to the franchisee.

g. Increasing prices of goods provided by the franchisor which the franchisee had ordered for retail consumers prior to the franchisee's receipt of a written official price increase notification. Price increases caused by conformity to a state or federal law, the revaluation of the United States dollar in the case of foreign-made goods or pursuant to the franchise agreement are not subject to this paragraph.

h. Using deceptive advertising or engaging in deceptive acts in connection with the franchise or the franchisor's business.

3. Regardless of anything set forth in the Franchise Agreement, you do not waive any right under Indiana statutes with regard to prior representations made in the Franchise Disclosure Document.

4. The Franchise Agreement is amended to provide that it will be governed and construed in accordance with the laws of the State of Indiana.

5. Each provision of the Franchise Agreement which is unlawful pursuant to the Act is deemed to be amended by the parties to conform with the Act.

6. Indiana residents and non-residents who own a franchise located in the State of Indiana will enter into the Indiana Addendum to Franchise Agreement in the form attached to this Exhibit.

**FIRST ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF INDIANA**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Indiana or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of Indiana.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of Indiana law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties expressly agree that to the extent any provision in any of the Contracts conflicts with the Indiana Deceptive Practices Act (the "Act"), the parties hereby amend the Contracts to the extent necessary to cause the Contracts to conform with the Act.

3. Without limiting the scope of Paragraph 2, the parties expressly agree that to the extent any provision in any of the Contracts is inconsistent with the Act: (i) no general release given by Franchisee under any of the Contracts shall operate to release, assign, waive or extinguish any liability arising under the Act; (ii) no provision in any of the Contracts shall limit Franchisee's right to sue in court for violations of the Act; (iii) no provision in any of the Contracts which is intended to prevent Franchisee from relying on any statement or representation made prior to Franchisee's signing the Agreement shall be applied, or extend, to statements contained in the Franchise Disclosure Document delivered to Franchisee prior to Franchisee's execution of the Contract; (iv) the choice of Nevada law as each Contract's governing law shall not prevent the Act from applying to any claims arising under the Act; and (v) no provision which is found to be a liquidated damages provision under Indiana law shall be enforceable against Franchisee.

4. Notwithstanding anything to the contrary contained in any of the Contracts, Franchisee shall have no duty to indemnify Company for any liability that Company

may sustain as a result of Franchisee's proper reliance on or use of any of the procedures or materials furnished by Company or for liability solely attributable to Company's negligence.

5. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

FRANCHISEE:

[NAME]

By: _____

Its: _____

By: _____

Its: _____

MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. A franchisee may sue in Maryland for claims arising under the Maryland Law. This disclosure amends Item 17 of the Franchise Disclosure Document.
2. Claims arising under the Maryland Law must be brought within 3 years after the grant of the franchise. This disclosure amends Item 17 of the Franchise Disclosure Document.
3. The provisions in the Franchise Agreement which provide for termination upon Franchisee's bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.). This disclosure amends Item 17 of the Franchise Disclosure Document.
4. The general release that is required as a condition of renewal, sale and/or assignment/transfer of the franchise shall not apply to any liability under the law. This disclosure amends Item 17 of the Franchise Disclosure Document.

**FIRST ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF MARYLAND**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of Maryland or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and the Names and Marks of Company in the conduct of business in the State of Maryland.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of the Maryland Franchise Registration and Disclosure Law (the "Law").

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The general release that is required as a condition of renewal, sale and/or assignment/transfer of the franchise shall not apply to any liability under the Law.

3. All representations requiring a prospective franchisee to assent a release, estoppel or waiver of any liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability uncured under the Law.

4. Nothing in the document entitled "Representations, Warranties and Acknowledgements," which is Exhibit I to the Franchise Disclosure Document, shall operate as a release, estoppel or waiver of any claims that Franchisee may have under the Law.

5. Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

6. The parties amend any statute of limitations period in the Contracts to provide that any claims arising under the Law must be brought within 3 years after the effective date of the Franchise Agreement.

7. The Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

FRANCHISEE:

[NAME]

By: _____

By: _____

Its: _____

Its: _____

DISCLOSURES REQUIRED BY MICHIGAN LAW

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

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 the 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:
 - a. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - b. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

c. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

d. 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 (c).

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.

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

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than \$100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:

Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
PO Box 30213
Lansing, MI 48909
(517)373-7117

MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

For Minnesota residents and nonresidents owning a franchise to be operated in Minnesota, the applicable sections of the Franchise Disclosure Document are amended to reflect the following wherever appropriate:

1. ADF will not refuse to renew a franchise for the purpose of converting your business to an operation that will be owned by ADF or one of our affiliates.

2. Minn. Stat. Sec. 80C.21 declares void any condition, stipulation or provision purporting to bind a person to waive compliance with the Minnesota franchise law (Minn. Stat. sections 80C.01 to 80C.22) and the rules promulgated thereunder ("the Minnesota Act"). To the extent that any of the contracts that you sign with us contain a general release, or require you to sign a general release at a later date, in favor of us or our affiliates, the general release will not operate to extinguish claims arising under, or relieve any person from liability imposed by, the Minnesota Act.

3. The Minnesota Act protects your right to require that the venue of any dispute not subject to binding arbitration be in Minnesota and that Minnesota law govern all contracts with us. It furthermore protects your right to a jury trial. To the extent any contract that you sign with us is inconsistent with the Minnesota Act, the contract shall be modified to conform with the Minnesota Act.

4. If any contract that you sign with us contains procedures for terminating the contract that are inconsistent with the Minnesota Act, the contract shall be modified to add the following:

"Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreement, require, except in certain specified cases enumerated in the referenced statute, that Company give Franchisee a minimum of 90 days notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days notice for non-renewal of the franchise agreement."

5. If any contract that you sign with us requires you to consent to our obtaining injunctive relief, the contract shall be amended to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing shall prevent us from applying to a forum for injunctive relief.

6. If any contract that you sign with us contain a limitations period for bringing claims against us which is shorter than the limitations period provided under the Minnesota Act, the contract shall be modified to conform to the Minnesota Act.

7. The Minnesota Act requires us to indemnify you from any loss, costs or expenses that you might incur arising out of a third party challenge to your authorized use of our service marks. Minnesota law, Minn. Stat. Sec. 80C.12, Subd. 1(g), considers it unfair for a franchisor not to protect a franchisee's right to use the licensed marks.

8. Minnesota residents and nonresidents owning a franchise to be operated in Minnesota will enter into the Minnesota Addendum to Franchise Agreement in the form attached to this Exhibit.

**FIRST ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF MINNESOTA**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Minnesota or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of Minnesota.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of Minnesota law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties agree that any provision in any of the Contracts that requires Franchisee to provide Company with a general release in violation of the Minnesota Act is illegal and of no force or effect.

3. The parties agree that if any provision in any of the Contracts requires venue to be in a state other than Minnesota, declares that the laws of a state other than Minnesota shall govern the Contracts, or requires Franchisee to waive its right to a jury trial, the applicable provision shall be amended to add the following:

"Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, nothing in this Agreement shall in any way abrogate or reduce any rights of Franchisee under Minnesota Statutes, Chapter 80C, or require Franchisee to waive his or her right to a jury trial, or require Franchisee to waive any other rights to any procedure, forum or remedies provided for by Minnesota law."

4. The parties agree that if provision in any of the Contracts contains procedures for terminating the Contract which are inconsistent with the Minnesota Act, the applicable provision shall be amended to add the following:

“Provided, however, with respect to franchises governed by Minnesota law, Company agrees to comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which, as of the date of this Agreements, require, except in certain specified cases, that Company give Franchisee a minimum of 90 days notice of termination (with a minimum of 60 days to cure) and a minimum of 180 days notice for non-renewal of the Franchise Agreement.”

5. The parties agree that any provision in any of the Contracts that requires Franchisee to consent to Company’s obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Franchisee cannot give such consent; provided, however, nothing herein shall prevent Company from applying to a forum for injunctive relief.

6. Notwithstanding anything to the contrary in any of the Contracts, Company agrees to defend and indemnify Franchisee against liability or claims in connection with Franchisee’s authorized use of the Marks. Franchisee shall not be responsible for the costs of any litigation to protect or defend the Name or Marks unless Franchisee’s unauthorized use of the Name or Marks is the proximate cause of the litigation.

7. If any provision in any of the Contracts contains a limitations period for bringing claims against the Company which is shorter than the limitations period provided under the Minnesota Act, the applicable provision is amended to conform to the Minnesota Act.

8. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

FRANCHISEE:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

[NAME]

By: _____

By: _____

Its: _____

Its: _____

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

We add the following to the Franchise Disclosure Document cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY A STATE DOES NOT MEAN THAT A STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY.

1. The New York State Department of Law, by administrative rule, requires us to advise you of the disclosure question answered by our response in Item 3:

Neither we, any predecessor, any person identified in item 2, or any affiliate offering franchises under our principal trademark:

a. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise; antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, include 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. If so, disclose the names of the parties, the forum, nature, and current status of the pending action. Company may include a summary opinion of counsel concerning the action if the attorney's consent to the use of the summary opinion of counsel concerning the action is included as part of this franchise disclosure document.

b. 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 a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair deceptive practices or comparable allegations. If so, disclose the names of the parties, the forum and date of conviction or date judgment was entered; penalty or damages assessed, and/or terms of settlement.

c. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent. If so, disclose the name of the person; the public agency, association, or exchange; the court, or other forum; a summary of the allegations or facts found by the agency,

association, exchange or court; and the date, nature, terms and conditions of the order or decree.

2. The New York State Department of Law, by administrative rule, requires us to advise you of the disclosure question answered by our response in Item 4:

State whether the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the franchise disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtain a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership. If so, disclose the name of the person and/or company that was the debtor under the Bankruptcy Code, the Date of the action and the materials facts.

3. In addition to the information disclosed in Item 5:

We use the initial franchise fee to pay general administrative expenses we incur in satisfying federal and state franchise sales rules, locating and evaluating prospective franchisees, and servicing franchisees pursuant to the Franchise Agreement.

4. In addition to the information disclosed in Item 17:

a. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. There may be court decisions in the State of New York limiting our ability to restrict your activities after the Franchise Agreement has ended.

b. 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.).

c. You may terminate the Franchise Agreement upon any grounds available by law.

d. The fact that the franchise contracts you will sign select Nevada law as the governing law should not be considered a waiver of any right conferred upon the franchisor or franchisee by Article 33 of the General Business Law of the State of New York.

e. We will not assign our rights or duties under the Franchise Agreement except to an assignee who, in the good faith judgment of Company, is willing and able to assume Company's obligations under the Franchise Agreement.

f. Revisions to the Manuals will not unreasonably increase your obligations or place an excessive economic burden on your operations.

**ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF NEW YORK**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of New York or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of New York.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of New York law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties agree that no changes that Company may make to its Manuals will unreasonably increase Franchisee's obligations or place an excessive economic burden on Franchisee's operations.

3. The parties agree that any provision in the Franchise Agreement that requires Franchisee to provide Company with a general release in violation of Article 33 of the General Business Law of the State of New York and the regulations issued there under is illegal and of no force or effect.

4. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

By: _____

Its: _____

FRANCHISEE:

[NAME]

By: _____

Its: _____

NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

North Dakota residents and non-residents who own a franchise located in the State of North Dakota will enter into the North Dakota Addendum to Contracts in the form which is included as part of this Exhibit amending the contracts that you sign with us to conform the contracts to the requirements of North Dakota law.

**ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF NORTH DAKOTA**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of North Dakota or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of North Dakota.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of North Dakota law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The North Dakota Franchise Investment Law (the "Law") identifies certain franchisor practices to violate the Law as being unfair, unjust, or inequitable to franchisees. In order to conform the Contracts with the requirements of the Law, the parties agree as follows:

a. To the extent that a covenant not to compete contained in any of the Contracts is found to be contrary to Section 9-08-06 of the North Dakota Century Code, the covenant not to compete shall be ineffective only to the extent of such prohibition. The remaining portions of the covenant that do not conflict with the North Dakota Century Code, as well as the remainder of the Contract, shall continue in full force and effect.

b. Any provision requiring Franchisee to agree to the mediation or arbitration of disputes at a location that is remote from the site of Franchisee's business is not enforceable. The parties shall mutually agree upon the site for any mediation or arbitration required by any of the Contracts or agree to allow the arbitrator or mediator to select the location. Additionally, the mediation and arbitration shall be governed by the North Dakota Rules of Civil Procedure.

c. Any provision requiring Franchisee to consent to the jurisdiction of courts outside of North Dakota is not enforceable. All litigation involving Franchisee shall be conducted in North Dakota.

d. Each of the Contracts shall be governed by, and construed in accordance with, the laws of the State of North Dakota to the extent required by the Law.

e. Any provision requiring Franchisee to waive the right to a jury trial or the right to collect exemplary or punitive damages is not enforceable.

f. Any provision requiring Franchisee to pay all costs and expenses incurred by Company in enforcing a Contract is not enforceable. However, the prevailing party in any enforcement action shall be entitled to recover all costs and expenses, including attorney's fees allowed by the mediator or court in the enforcement action.

g. Any provision requiring Franchisee to consent to a limitations of claims is not enforceable. The parties agree that the statute of limitations under North Dakota law shall apply to claims arising under the Contracts.

h. Any provision in any of the Contracts that requires Franchisee to provide Company with a general release in violation of North Dakota law shall not apply to Franchisee.

3. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

By: _____

Its: _____

FRANCHISEE:

[NAME]

By: _____

Its: _____

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Under Section 19-28.1-14 of the Rhode Island Franchise Investment Act, a provision in a franchise agreement restricting jurisdiction or venue for litigation to a forum outside of Rhode Island or requiring the application of the laws of another state is void with respect to an otherwise enforceable claim that is not subject to binding arbitration.

Rhode Island residents and non-residents who own a franchise located in the State of Rhode Island will enter into the Rhode Island Addendum to Franchise Agreement in the form attached to this Exhibit.

**ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF RHODE ISLAND**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Rhode Island or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of Rhode Island.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of Rhode Island law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The Rhode Island Franchise Investment Act (the "Act") at Section 19-28.1-14 provides that "a provision in a franchise agreement restricting jurisdiction or venue for litigation to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The parties agree that to the extent that any provision in any of the Contracts entered into by the parties are inconsistent with the Act, the provisions of the Act shall control. This provision shall not change the parties' agreement that any arbitration or mediation proceedings required by the Franchise Agreement shall take place in Orange County, California.

3. Rhode Island law shall be applied to, and govern, any claim between the parties that alleges violation of the Act.

4. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

By: _____

Its: _____

FRANCHISEE:

[NAME]

By: _____

Its: _____

**ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF SOUTH DAKOTA**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

RECITALS

A. Franchisee is a resident of the state of South Dakota or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of South Dakota.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of South Dakota law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

By: _____

Its: _____

FRANCHISEE:

[NAME]

By: _____

Its: _____

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Any provision in any of the contracts that you sign with us provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et seq.).

WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

1. The State of Washington has a statute, RCW 19.100.180, which may supersede the provisions of the contracts that you enter into with us pertaining to, among other subjects, the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the provisions of the contracts that you enter into with us.
2. To the extent that the applicable governing law stipulated in any of the contracts that you sign with us conflicts with the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the "Act"), the Act shall prevail.
3. A release or waiver of rights executed by a franchisee who is a resident of Washington or who is a nonresident of Washington but operates a franchise in Washington shall not include rights that arise under the Act, except when the release or waiver is executed pursuant to a negotiated settlement agreement provided each party is represented by independent counsel in the settlement negotiations. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims arising under the Act or which reduce or limit your rights or remedies under the Act, such as the right to a jury trial, may not be enforceable under the Act.
4. Under Washington law, transfer fees are collectible to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
5. For any arbitration involving a franchise in Washington, the arbitration site must either be in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
6. Washington residents and non-residents who own a franchise located in the State of Washington will enter into the Washington Addendum to Franchise Agreement in the form attached to this Exhibit.

**ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF WASHINGTON**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Washington or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of Washington.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of Washington law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The parties mutually acknowledge and agree that:

a. To the extent that any provision in any of the Contracts is inconsistent with the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act shall control.

b. To the extent that the governing law provided for in each of the Contracts is inconsistent with the Act, the provisions of the Act shall prevail.

c. A release or waiver of rights executed by Franchisee shall not include a release or waiver of rights arising under the Act except when the release or waiver of rights is executed pursuant to a negotiated settlement agreement and provided that each party is represented by independent counsel.

d. To the extent that any provision in any of the Contract unreasonably restricts or limits the statute of limitations period for claims arising under the Act, right or remedies under the Act or reduces or limits Franchisee's rights or remedies under the

Act, such as the right to a jury trial, the specific provision in the Contract may not be enforceable under the Act.

e. Transfer fees payable in connection with an assignment of any of the Contracts shall be limited to Company's reasonable estimated or actual costs in approving and processing a transfer application.

f. For any arbitration involving a franchise in Washington, the arbitration site must either be in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

FRANCHISEE:

[NAME]

By: _____

By: _____

Its: _____

Its: _____

WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The Wisconsin Fair Dealership Law applies to most, if not all franchise agreements and prohibits the termination, cancellation, nonrenewal or substantial change of the competitive circumstances of a dealership agreement without good cause. The Wisconsin Law further provides that at least 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change must be given to the dealer. The Wisconsin Law gives the dealer 60 days to cure the deficiency and if the deficiency is timely cured, the notice is void. The Wisconsin Fair Dealership Law may supersede and control the terms of your relationship with us with respect to these subject matters. To the extent that any provision of any contract that you enter into with us pertaining to your franchise rights is inconsistent with the state law, state law will control.

Wisconsin residents and non-residents who own a franchise located in the State of Wisconsin will enter into the Wisconsin Addendum to Franchise Agreement in the form attached to this Exhibit.

**ADDENDUM TO ACE DURAFLO SYSTEMS, LLC CONTRACTS
FOR THE STATE OF WISCONSIN**

This FIRST ADDENDUM TO CONTRACTS ("Addendum") is made and entered into on _____, _____ by and between **ACE DURAFLO SYSTEMS, LLC**, a Nevada limited liability company ("Company") and _____ ("Franchisee"), subject to the following recitals:

R E C I T A L S

A. Franchisee is a resident of the state of Wisconsin or a non-resident who is acquiring franchise rights permitting the use of the System of Operations and to use the Names and Marks of Company in the conduct of business utilizing the Process in the State of Wisconsin.

B. The "Contracts" covered by this Addendum include all of the following contracts, copies of which are attached as exhibits to the Franchise Disclosure Document that Company has delivered to Franchisee, i.e.: Franchise Agreement; Personal Guaranty; and Personal Covenant Agreement (collectively referred to as the "Contracts").

C. To the extent that the parties enter into any of the Contracts now or in the future, they desire to amend the Contracts in order to conform them to the requirements of Wisconsin law.

D. All capitalized terms in this Addendum shall have the same meaning assigned to them in the Contracts.

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

1. The above recitals are incorporated by the parties as part of their covenants and undertakings.

2. The Wisconsin Fair Dealership Law, Wis. Stats. Ch. 135, Sec. 32.06 et seq. (the "Law"), provides certain rights to franchisees, which extend to Franchisee. In particular, and without limitation, the Law prohibits the termination, cancellation, nonrenewal or substantial change of competitive circumstances (as defined by the Law and by case law) of a dealership or franchise agreement without good cause. The Law further provides that 90 days prior written notice of the proposed termination, cancellation, nonrenewal or substantial change of competitive circumstances must be given to the dealer. The Law allows the dealer 60 days to cure the deficiency and if the deficiency is cured, the notice is void. To the extent that the Law conflicts with any provision of any of the Contracts, the provisions of the Law shall control.

3. The parties agree that the Contracts, whether now existing or hereinafter entered into by the parties, shall be enforced in accordance with their terms, subject, however, to the terms of this Addendum.

IN WITNESS WHEREOF parties have executed this Addendum on the date first above written.

COMPANY:

ACE DURAFLO SYSTEMS, LLC,
a Nevada limited liability company

By: _____

Its: _____

FRANCHISEE:

[NAME]

By: _____

Its: _____

EXHIBIT L
AUTOMATIC CLEARINGHOUSE AGREEMENT FOR ELECTRONIC PAYMENTS



Better than a Repipe®
without destroying walls!

ACH CREDIT OR DEBIT AUTHORIZATION AGREEMENT

COMPANY NAME	COMPANY IDENTIFICATION NUMBER
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☒ **PRE AUTHORIZED PAYMENTS**

I (We) hereby authorize ACE DuraFlo Systems, LLC.
hereinafter called COMPANY, to initiate debit entries to my (our) Checking account indicated below and the depository institution named below, hereinafter called DEPOSITORY, to debit the same to such account.

☒ **AUTOMATIC DEPOSITS**

I (We) hereby authorize ACE DuraFlo Systems, LLC.
hereinafter called COMPANY, to initiate credit entries and to initiate, if necessary, debit entries and adjustments for any credit entries in error to my (our) ☐ Checking ☐ Savings account (select one) indicated below and the depository institution named below, hereinafter called DEPOSITORY, to credit and/or debit the same to such account.

DEPOSITORY NAME	BRANCH	
CITY	STATE	ZIP CODE
TRANSIT/ABA NUMBER	ACCOUNT NUMBER	

This authority is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on it.

NAME(S) (Please Print)		IDENTIFICATION NUMBER	
DATE	SIGNATURE	SIGNATURE	



EXHIBIT M
ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (the "Addendum") is made and entered into on _____ by and between ACE DURAFLO SYSTEMS, LLC, a Nevada limited liability company (Company/Franchisor hereinafter "Company") and _____ ("Franchisee") for the purpose of amending that certain Franchise Agreement ("Franchise Agreement") entered into by and between Company and Franchisee on _____, _____ in order to authorize Franchisee to perform certain drain repair services on the terms and conditions of this Addendum. The parties agree as follows:

1. **Definitions.** The following capitalized terms in this Addendum are defined as follows:
 - A. "Authorized Drain Supplier" means the specific supplier of drain pipe and branch pipeline repair products and methods that Company designates from time to time in writing, which Company may replace at any time for any reason. Until further notice from Company, the Authorized Drain Supplier is the company identified on **Schedule A**.
 - B. The definition of "Franchised Business" is amended to include drain pipe and branch pipeline repair services utilizing the Franchised Drain Products and Franchised Drain Services, subject to the terms of this Addendum.
 - C. "Franchised Drain Products" means the drain pipe and branch pipeline repair equipment, consumables and related products that Company designates from time to time in writing for performing the Franchised Drain Services. Franchisee understands that Company may modify the list of Franchised Drain Products at any time if Company replaces the Authorized Drain Supplier or according to changes that the Authorized Drain Supplier may make, or as Company deems necessary for the benefit of the System of Operation or Names and Marks. Until further notice from Company, the Franchised Drain Products are identified on **Schedule A**.
 - D. "Franchised Drain Services" means the drain pipe and branch pipeline repair methods that Company designates from time to time in writing. Franchisee understands that Company may modify the Franchised Drain Services at any time if Company replaces the Authorized Drain Supplier or according to changes that the Authorized Drain Supplier may make, or as Company deems necessary for the benefit of the System of Operation or Names and Marks. Until further notice from Company, the Franchised Drain Services are identified on **Schedule A**.
 - E. Any capitalized term not defined in this Addendum shall have the meaning assigned to the term in the Franchise Agreement.

2. Grant of Franchise. Subject to the terms of this Addendum and the Franchise Agreement, Company hereby authorizes Franchisee to offer and sell the Franchised Drain Services of the Authorized Drain Supplier as part of the Franchised Business and, in connection therewith, to use the Franchised Drain Products. All revenues received by Franchisee from the sale of the Franchised Drain Services and Franchised Drain Products shall be treated as Gross Receipts. Before offering the Franchised Drain Products and Franchised Drain Services to its customers, Franchisee shall complete the training described on **Schedule A** at Franchisee's sole expense.

- A. Company shall endeavor to fill Franchisee's orders for the Franchised Drain Products but shall not be liable to Franchisee for shortages and delays due to reasons beyond Company's control. All risk of loss on the sale of Franchised Drain Products to Franchisee shall pass to Franchisee when Franchisee places the Franchised Drain Products in the hands of the common carrier for delivery to Franchisee.
- B. The price of the Franchised Drain Products is set forth on **Schedule A**. Company may require payment in full of each order of Franchised Drain Products at the time Franchisee places its order, however, until written notice from Company, payment shall be due within 15 days of Company's invoice.
- C. If Franchisee returns any Franchised Drain Products because of defect, Company's sole responsibility shall be to reimburse Franchisee for the cost of the defective item.
- D. In selling the Franchised Drain Products to Franchisee, Company makes no warranties, express or implied, regarding the Franchised Drain Products or Franchised Drain Services, but assigns to Franchisee any warranties that the Authorized Drain Supplier may make in connection with its sale of the Franchised Drain Products to Company.
- E. During the term of this Addendum, Franchisee shall not use or promote any products or services used for drain pipe and branch pipeline repair, except those offered by the particular Authorized Drain Supplier approved by Company at the time.
- F. While this Addendum is in effect, Franchisee shall obtain and maintain the insurance policies on the terms and conditions and with the minimum coverage amounts set forth on **Schedule A** and name Company and the Authorized Drain Supplier each as an additional insured. The insurance identified on **Schedule A** is subject to the other Franchise Agreement provisions regarding Franchisee's required insurance coverage.
- G. Company shall give Franchisee reasonable written notice if it replaces the Authorized Drain Supplier with another company. Following receipt of Company's notice, Franchisee shall immediately cease using the Franchised Drain Products and Franchised Drain Services of the discontinued Authorized Drain Supplier, except that Franchisee may use the Franchised Drain Products in its current inventory as needed to complete all pending job orders or jobs that are in the process of being completed requiring the application of the Franchised

Drain Services and may sell its remaining inventory of Franchised Drain Products to other franchised installers of the discontinued Authorized Drain Supplier.

- H. Franchisee understands and agrees that, in the course of performing the Franchised Drain Services and using the Franchised Drain Products, Franchisee may learn or discover information which Franchisee knows, or should reasonably know, the Authorized Drain Supplier regards as its confidential or proprietary information ("Confidential Information") whether or not the information is protected by patent. Franchisee shall not: (i) use the Confidential Information except to market, sell and perform Franchised Drain Services; (ii) copy or assist others to copy or use any Confidential Information or replicate or simulate anything comparable to the Franchised Drain Services or Franchised Drain Products; or (iii) disclose the Confidential Information to any third party, except to Franchisee's employees whose job requires them to use the Franchised Drain Services or Franchised Drain Products. Franchisee and such employees shall sign the form of confidentiality agreement that the Authorized Supplier may require.

3. Termination of Addendum.

- A. This Addendum shall terminate concurrently upon the termination or expiration of the Franchise Agreement. However, termination of this Addendum shall not result in the termination of the Franchise Agreement unless breach which is the basis for terminating this Agreement is also grounds for terminating the Franchise Agreement and the procedures for terminating the Franchise Agreement are complied with.
- B. Additionally, Company may terminate this Addendum based upon Franchisee's material breach of in this Addendum and failure to cure the breach within 30 days written notice from Company. Finally, Company may terminate this Addendum for any reason effective upon 30 days written notice to Franchisee.
- C. Franchisee may terminate this Addendum by giving written notice to Company within 30 days after Company notifies Franchisee that it has replaced the Authorized Drain Supplier and delivers a new **Schedule A** setting for the name of the new Authorized Drain Supplier and changes to the Franchised Drain Products and Franchised Drain Services. Franchisee's failure to give timely notice of termination shall constitute Franchisee's ratification of this Addendum with the new **Schedule A**.
- D. Upon termination of this Addendum, the parties shall abide by the duties set forth on **Schedule A** in addition to any duties imposed under the Franchise Agreement. Company shall have no liability to Franchisee for any damages, including damages for lost profits or anticipated sales, or for any expenditures or investments made by Franchisee in connection with the Franchised Drain Products or Franchised Drain Services of the replaced Authorized Drain Supplier, except as set forth on **Schedule A**.

- E. After termination of this Addendum, the Franchise Agreement's definition of Competitive Business shall include activities within the scope of the Franchised Business as amended by this Addendum.
4. Intellectual Property Ownership. Any inventions or improvements involving the Franchised Drain Products or Franchised Drain Services, whether patentable or not, shall be the property of the Authorized Drain Supplier or Company, regardless of whether or not developed by or invented by Franchisee.
5. Termination of Prior Drain Addendum. If the parties have previously entered into an Addendum to Franchise Agreement regarding Nu Flo Technologies, the parties hereby terminate that Addendum effective immediately.
6. Amendment. This Addendum may only be modified or amended by the written consent of the parties hereto, provided, however, Company may unilaterally modify any of the provisions on **Schedule A** upon the replacement of the Authorized Drain Supplier.
7. Full Force and Effect. To the extent not specifically modified herein, the terms and conditions of the Franchise Agreement shall remain in full force and effect.
8. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of the Franchise Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum on the date first above written.

ACE DURAFLO SYSTEMS, LLC

[Franchisee]

By: _____

By: _____

Its: _____

Its: _____

SCHEDULE A

1. Authorized Drain Supplier. See **Appendix 1** for Authorized Supplier ("Supplier").
2. Franchised Drain Products. See **Appendix 2** for product schedule.
3. Price. If the Authorized Drain Supplier is Supplier, the price of Franchised Drain Products shall be 5% off of the then-current list price of the Authorized Drain Supplier when Company accepts Franchisee's order. Franchisee shall pay all costs for delivery and shipment. Franchisee understands that the price of Franchised Drain Products and other terms of sale may change if Company replaces the Authorized Drain Supplier.
4. Training. If the Authorized Drain Supplier is Supplier, Franchisee shall complete Supplier's training program in the use and application of the Franchised Drain Products and Franchised Drain Services before marking the Franchised Drain Products or Franchised Drain Services to the public. Franchisee shall pay Supplier a training fee of \$750 per day plus \$500 per day to cover the trainer's travel time and costs in connection with training. Franchisee understands that it may have additional training requirements and costs if Company replaces the Authorized Drain Supplier.
5. Insurance. If the Authorized Drain Supplier is Supplier, Franchisee shall at all times maintain Liability and Contractors Insurance Policies with minimum limits of One Million Dollars (\$1,000,000) per occurrence, per annum aggregate for injury to persons and annual aggregate for damage to property. The terms of the Liability and Contractors Insurance Policies shall require the insurance carrier to give Supplier at least 30 days' notice of cancellation of such Policies. If Company replaces the Authorized Drain Supplier, Company may modify the insurance requirements to satisfy the requirements of the new Authorized Drain Supplier.
6. Confidentiality. If the Authorized Drain Supplier is Supplier, Franchisee shall cause each of its employees whose job requires them to use or be associated with Supplier's products and services to sign the Non-Disclosure Agreement attached to **Schedule 3** of the Franchise Agreement. Franchisee understands that, if Company replaces the Authorized Drain Supplier, its employees may be required to sign the new Authorized Drain Supplier's confidentiality agreement.
7. Obligations of Parties Upon Termination.
 - A. If the Authorized Drain Supplier is Supplier, then upon termination of this Addendum or upon Company's decision to replace Supplier, Company will purchase Franchisee's inventory of standard liner kits in salable condition less a 30% restocking fee and any specialty liners (nonstandard liners) in salable condition less a 50% restocking fee if Franchisee presents the items to Company for return within 30 days following the effective date of termination. Franchisee shall pay all shipping charges to return the unsold liner kits and liners. Additionally, Company will purchase any equipment items in good condition and repair that are listed on the attached product schedule if, and on the same terms, conditions and price at which, Supplier offers to buy them from Company. Franchisee shall pay all shipping charges to return any equipment to Company.

that Company agrees to repurchase. Franchisee understands and agrees that Company's duty to repurchase equipment is contingent on Supplier's offer to repurchase the equipment from Company. Company may set-off against any sums due to Franchisee under this section the amount which Franchisee then owes to Company under this Addendum or the Franchise Agreement. Franchisee may not sell any Franchised Drain Products that Company does not repurchase or accept for restocking to any other companies, entities or persons without Company's prior written consent, except to other installers who demonstrate to Franchisee that they are authorized by Supplier to use the same Franchised Drain Products.

- B. Franchisee understands that Company may modify the obligations of the parties upon termination if this Addendum terminates after Company replaces the Authorized Drain Supplier.

APPENDIX 1: SUPPLIER

APPENDIX 2: PRODUCT SCHEDULE



EXHIBIT N
GENERAL RELEASE

This GENERAL RELEASE ("Release") is made this _____ day of _____, _____, by ("Releasor"), with reference to the following facts:

A. The undersigned, Releasor:

[COMPLETE AND CHECK APPROPRIATE BOX OR BOXES]

1. ☐ is the Franchisee under, and signatory to, a Franchise Agreement entered into by and between ACE DURA FLO SYSTEMS, LLC (Company/Franchisor hereinafter "Company") and Releasor (who is identified in the Franchise Agreement as Franchisee) which awards to Franchisee a Franchise to utilize the Process, the Epoxy, the System of Operation and Names and Marks during the Term to perform and promote the Authorized Services in the Operating on the terms of the Franchise Agreement.

2. ☐ is an employee, officer, director, member, manager, partner or owner of an interest in the equity or voting interests of the Franchisee identified above.

B. This Release is being executed pursuant to the requirements of the Franchise Agreement as a condition of the rights granted by Company to Franchisee, and for other good and valuable consideration, the receipt of which is acknowledged by the parties.

NOW, THEREFORE, RELEASOR AGREES AS FOLLOWS:

1. General Release.

Releasor, for itself, himself or herself, and, if applicable, additionally, for Releasor's Affiliates, if any, and for each of their respective officers, directors, shareholders, members, managers, trustees, partners, employees, attorneys, heirs and successors (Releasor and such other persons are collectively referred to as the "Releasing Parties"), hereby release and forever discharge Company, Company's Affiliates, and their respective officers, directors, shareholders, members, managers, agents, employees, representatives, attorneys, successors and assigns (collectively the "Released Parties"), and each of them, from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which any of the Releasing Parties ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as "Claims"). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with any agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, none of the Releasing Parties shall have any claim of any kind or nature whatsoever against the Released Parties, directly or indirectly, or by reason of any

matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release.

2. Waiver of Civil Code Section 1542.

This Release is intended by Releasor to be a full and unconditional general release, as that phrase is used and commonly interpreted, and to constitute a full, unconditional and final accord and satisfaction, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of Releasor or any of the other Releasing Parties against the Released Parties regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. Releasor, for itself, himself or herself, for each of the other Releasing Parties hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Releasor or any of the Releasing Parties would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to said Section 1542, whether now or hereinafter existing under the laws of California or any other applicable federal and state law with jurisdiction over the parties' relationship. Releasor, for itself, himself or herself, for each of the other Releasing Parties, acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

“A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

In making this voluntary express waiver, Releasor acknowledges that claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is Releasor's intention to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. Releasor acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release and that it, he or she is entering into this Release on the advice of independent counsel.

3. Dispute Resolution. Releasor agrees to be bound by the dispute resolution provisions attached as **Schedule A** to this Release, which are incorporated herein by this reference.

4. Release Not Admission. Releasor understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Company or an admission of the validity of any claims made by or against Company.

5. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

6. No Prior Assignments. Releasor represents and warrants that Releasor has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

7. Definitions. All capitalized terms used in this Release that are not defined in the body of this Release shall have the same meaning assigned to them in the Franchise Agreement, and the parties hereby incorporate those definitions by reference.

8. Further Assurances. Each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform the terms, provisions and conditions of this Release.

IN WITNESS WHEREOF, Releasor has executed this Release on the date first shown above.

RELEASOR:

[IF APPLICABLE]

By: _____

Its: _____

Company executes this Release to acknowledge its agreement to be bound by the dispute resolution provisions stated in **Schedule A**.

ACE DURAFLO SYSTEMS, LLC

By: _____

Title: _____

Date: _____

SCHEDULE A

DISPUTE RESOLUTION

1. Agreement to Mediate Disputes. Except as otherwise provided in this Schedule A, neither party to this Agreement shall bring an action or proceeding to enforce or interpret any provision of this Agreement, or seeking any legal remedy based upon the relationship created by this Agreement or an alleged breach of this Agreement, until the dispute has been submitted to mediation proceeding conducted in accordance with the procedures stated in this Agreement.

(a) The mediation proceeding shall be conducted pursuant to the rules of JAMS ("the Mediation Service"). Either party may initiate the mediation proceeding (the "Initiating Party") by notifying the Mediation Service in writing, with a copy to the other party (the "Responding Party"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent such rules conflict with this Agreement, in which case this Agreement shall control.

(b) The mediation will be conducted by a single mediator, with the parties giving preference if at all possible to either a practicing attorney with experience in business format franchising or a retired judge. To be qualified, the mediator shall have no past or present affiliation or conflict with any party to the mediation, and must be generally available to conduct the mediation within the time parameters required by this **Schedule A**. The parties agree that the mediator and the Mediation Service's employees shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.

(c) The fees and expenses of the Mediation Service, including, without limitation, the mediator's fee and expenses, shall be shared equally by the parties. Each party shall bear its own attorneys' fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

(d) The mediation conference shall commence within 30 days after selection of the mediator. Regardless of whether Company or Releasor is the Initiating Party, the mediation shall be conducted at Company's headquarters, unless otherwise required by Applicable Law.

(e) The parties shall participate in good faith in the entire mediation proceeding, including the mediation conference, with the intention of resolving the dispute, if at all possible. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The parties recognize and agree, however, that the mediator's recommendations, if any, shall not be binding on the parties.

(f) The mediation conference shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes, after a minimum of 8 hours of mediation as required by subsection 8, and informs the parties in writing,

that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation conference.

(g) Notwithstanding subsection 6, the parties agree that the mediation conference shall continue for at least 8 hours and be held on one day, if possible; if not, then over 2 consecutive days; provided, however, the parties are excused from this requirement if they succeed in reaching a written settlement in less than 8 hours.

(h) If one party breaches this Agreement by refusing to participate in the mediation proceeding in accordance with this Agreement, including, without limitation, for breaching the conditions of subsection 8, the non-breaching party may immediately file suit and take such other action to enforce its rights as permitted by law and the breaching party shall be obligated to pay: (i) the mediator's fees and costs, (ii) the non-breaching party's reasonable attorneys' fees and costs incurred in connection with the mediation, and (iii) to the extent permitted by law, the non-breaching party's reasonable attorneys' fees and costs incurred in any suit arising out of the same dispute, regardless of whether the non-breaching party is the prevailing party. Additionally, in connection with (iii), the breaching party shall forfeit any right to recover its attorneys' fees and costs should it prevail in the suit. The parties agree that the foregoing conditions are necessary in order to encourage meaningful mediation as a means for efficiently resolving any disputes that may arise.

(i) At the mediator's sole discretion, or upon either party's request, the mediator will provide a written evaluation of each party's claims and defenses and of the likely resolution of the dispute if not settled. The parties agree that the mediator is not acting as an attorney or providing legal advice on behalf of any party.

(j) The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation proceeding by any party or their agents, experts, counsel employees or representatives, and by the mediator and the Mediation Service's employees, are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable federal and state laws or rules of evidence; provided, however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

2. Exceptions to Duty to Mediate Disputes. The obligation to mediate shall not apply to:

(a) Any claim where the amount of damages sought is \$10,000 or less.

(b) Any claim by either party seeking interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its sole discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation proceeding. The party awarded interim or injunctive relief shall not be required to post bond or comparable security. Once interim relief is obtained, the parties agree to submit the dispute to, or continue, the mediation or action in accordance with this Agreement.

3. Judicial Relief. The parties agree that (i) all disputes arising out of or relating to this Agreement which are not resolved by negotiation or mediation, and (ii) all claims which this Agreement expressly excludes from mediation, shall be brought exclusively in the Superior Court of California located closest to Company's headquarters or in the United States District Court located closest to Company's headquarters. As of the date of this Agreement, the parties acknowledge that the Superior Court of the County of Sacramento and the United States District Court of the Eastern District of California are, respectively, the state and federal courts that are located closest to Company's headquarters; however, the parties further acknowledge that Company may relocate its headquarters in its sole discretion at any time without notice to the undersigned party. The parties agree to submit to the jurisdiction of the courts mutually selected by them pursuant to this paragraph and mutually acknowledge that selecting a forum in which to resolve disputes arising between them is important to promote stability in their relationship.

To the fullest extent that it may effectively do so under Applicable Laws, Releasor waives the defense of an inconvenient forum to the maintenance of an action in the courts identified in this paragraph and agrees not to commence any action of any kind against Company, Company's Affiliates and their respective officers, directors, employees, agents or property arising out of or relating to this Agreement except in the courts identified in this paragraph.

The parties agree to waive any right to a trial by jury in any action arising out of or relating to this Agreement, as further provided in this Agreement.

In any proceeding alleging breach of this Agreement, each party shall have the right to engage in deposition and document discovery, including, in the case of Company, the right to conduct forensic examination of Releasor's computer systems if Company reasonably believes the computer systems contain Confidential Information. In connection with any application for any interim relief, as set forth above, each may conduct discovery on an expedited basis.

4. WAIVER OF JURY TRIAL. COMPANY AND FRANCHISEE EACH HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING AND/OR HEARING BROUGHT BY EITHER COMPANY OR FRANCHISEE ON ANY MATTER WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE USE OF THE NAMES AND MARKS OR THE SYSTEM OF OPERATION BY FRANCHISEE, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT, TO THE FULLEST EXTENT PERMITTED UNDER APPLICABLE LAW.

5. Choice of Law. Except as otherwise provided in this Agreement, the parties agree that California law shall govern the construction, interpretation, validity and enforcement of this Agreement and shall be applied in any mediation or judicial proceeding to resolve all disputes between them, except to the extent the subject matter of the dispute arises under federal law, in which event the federal law shall govern.

6. Punitive or Exemplary Damages. Company and Releasor, their respective directors, officers, shareholders and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the

other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it.

7. Attorneys' Fees. Except as expressly provided in this Agreement, in any action or proceeding brought to enforce any provision of this Agreement or arising out of or in connection with the relationship of the parties hereunder, the prevailing party shall be entitled to recover against the other its reasonable attorneys' fees and costs in addition to any other relief awarded by the court. As used in this Agreement, the "prevailing party" is the party who recovers greater relief in the action. Company shall be entitled to reimbursement of all fees, costs, and expenses which it incurs, including fees to retain attorneys, accountants or other experts, to enforce its rights under this Agreement under circumstances when no mediation or judicial action is commenced.

8. Waiver of Collateral Estoppel. The parties agree they should each be able to settle, mediate, litigate or compromise disputes in which they may be, or become, involved with third parties without having the dispute affect their rights and obligations to each other under this Agreement. Company and Releasor therefore each agree that a decision of a judge in any proceeding or action in which either Company or Releasor, but not both of them, is a party will not prevent the party to the proceeding or action from making the same or similar arguments, or taking the same or similar positions, in any proceeding or action between Company and Releasor. Company and Releasor therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action or proceeding between them even if they lost a similar claim or defense in another action or proceeding with a third party.

9. Waiver of Class Action Proceedings and Relief. Company and Releasor agree that any mediation or litigation initiated or brought by either party against the other will be conducted only on an individual basis, not on a class-wide basis, and there may be no consolidation or joinder of other claims or controversies involving any other Releasor. Any such mediation or litigation initiated or brought by either party against the other will not and may not proceed as a class action, collective action, private attorney general action or any similar representative action. Company and Releasor both understand and agree that they are waiving any substantive or procedural rights that they might have to bring an action on a class, collective, private attorney general, representative or other similar basis.

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date, stated below:

STATE	EFFECTIVE DATE
California	<i>Pending</i>
Hawaii	Not Filed
Illinois	Not Filed
Indiana	Not Filed
Maryland	Not Filed
Michigan	Not Filed
Minnesota	Not Filed
New York	Not Filed
North Dakota	Not Filed
Rhode Island	Not Filed
South Dakota	Not Filed
Virginia	<i>Pending</i>
Washington	Not Filed
Wisconsin	Not Filed

EXHIBIT O

Receipt [Your Copy]

This Disclosure Document summarizes provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, we must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

Iowa requires that we give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 14 calendar days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

New York requires that we give you this disclosure document at the earlier of (i) the first personal meeting and (ii) 10 business days before the execution of any binding agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this Disclosure Document on time or if this Disclosure Document contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in **Exhibit F**.

The franchisor and the name, principal business address and telephone number of each franchise seller offering the franchise are as follows:

Franchisor:

ACE DURAFLO SYSTEMS, LLC
A Nevada Limited Liability Company
3122 West Alpine Street
Santa Ana, California 92704
Phone: (800) 359-6369
Fax: (714) 564-7607

Franchise Sellers:

Larry Gillanders, CEO
Company Name: ACE DURAFLO SYSTEMS, LLC
Street Address: same as Franchisor
City/State/Zip: same as Franchisor
Phone: same as Franchisor

Jason Houck, National Sales Director
Company Name: ACE DURAFLO SYSTEMS, LLC
Street Address: same as Franchisor
City/State/Zip: same as Franchisor
Phone: same as Franchisor

Garrett Darland, License Sales Manager
Company Name: ACE DURAFLO SYSTEMS, LLC
Street Address: same as Franchisor
City/State/Zip: same as Franchisor
Phone: same as Franchisor

Issuance Date: June 2, 2022

We authorize the respective state agencies identified on **Exhibit J** to receive service of process for us in the particular state.

I have received a Disclosure Document dated June 2, 2022 that included the following Exhibits on the date above my signature:

- "A" Franchise Agreement
 - Schedule 1 – Operating Territory And Initial Franchise Fee
 - Schedule 2 – Covered Persons As Of The Signing Date
 - Schedule 3 – Dispute Resolution
 - Schedule 4 – Franchisee Representations
 - Schedule 5 – Notices
 - Schedule 6 – Spousal Consent
- "B" Financial Statements
- "C" List of Existing Franchises
- "D" List of Terminated Franchises
- "E" Confidential Technical Manual and Equipment Manual: Table of Contents
- "F" List of State Franchise Administrators
- "G" Personal Guaranty
- "H" Personal Covenant Agreement
- "I" Representations, Warranties and Acknowledgments
- "J" Agents for Service of Process
- "K" State Addendum
- "L" Automatic Clearinghouse Agreement for Electronic Payments
- "M" Drain Repair Addendum
- "N" General Release
- "O" Receipts

Date: _____

(Do not leave blank)

Signature of Prospective Franchisee

Print Name

EXHIBIT O

Receipt [Our Copy]

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Phone: same as Franchisor

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- "K" State Addendum
- "L" Automatic Clearinghouse Agreement for Electronic Payments
- "M" Drain Repair Addendum
- "N" General Release
- "O" Receipts

Date: _____

(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Return this copy to us -- you mail the executed original to us at the above address; fax us a signed copy of this receipt to the fax number shown above; or pdf the signed copy as an attachment to an e-mail directed to sales@aceduraflo.com.