

## FRANCHISE DISCLOSURE DOCUMENT

Restoration Specialties Franchise Group, LLC  
(A Michigan Limited Liability Company)  
12001 Levan Road  
Livonia, Michigan 48150  
1-888-355-0001  
www.ers-us.com



The franchise offered is for the operation of an ERS® business (the “Business”). The Business offers for sale services and related products for the recovery, repair and restoration of electronic equipment and data for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies (“Restoration Services”).

The total investment necessary to begin operation of an ERS Business is from \$175,050 to \$208,400. This includes \$114,900 that must be paid to the Franchisor or an affiliate.

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

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information on franchising.

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Michelle Justavino at the above telephone number or [Michelle.Justavino@ers-us.com](mailto:Michelle.Justavino@ers-us.com).

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

Issuance Date: April 1, 2013



## STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit A for information about the franchisor, about other franchisors, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND LITIGATION ONLY IN THE CITY OF OUR NATIONAL HEADQUARTERS (CURRENTLY, LIVONIA, MICHIGAN). OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE OR LITIGATE WITH US IN MICHIGAN THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT REQUIRES THAT MICHIGAN LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOU MUST ATTAIN OR EXCEED THE MINIMUM PERFORMANCE STANDARDS FOR THE BUSINESS. FAILURE TO MEET THE MINIMUM PERFORMANCE STANDARDS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AGREEMENT.
4. YOU, AS AN OWNER OF THE FRANCHISE, MAY BE REQUIRED TO EXECUTE A PERSONAL GUARANTY, PLACING THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AT RISK.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

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

California	April 14, 2013
Florida	April 1, 2013
Hawaii	Not filed
Illinois	March 20, 2013
Indiana	April 20, 2013
Maryland	April 3, 2013
Michigan	April 1, 2013
Minnesota	March 25, 2013
New York	April 12, 2013
North Dakota	March 29, 2013
Rhode Island	March 26, 2013
South Dakota	March 21, 2013
Utah	March 22, 2013
Virginia	May 23, 2013
Washington	Not filed
Wisconsin	March 27, 2013

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

## TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	8
ITEM 2 BUSINESS EXPERIENCE .....	10
ITEM 3 LITIGATION .....	12
ITEM 4 BANKRUPTCY .....	12
ITEM 5 INITIAL FEES .....	12
ITEM 6 OTHER FEES .....	13
ITEM 7 ESTIMATED INITIAL INVESTMENT .....	17
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	19
ITEM 9 FRANCHISEE'S OBLIGATIONS .....	24
ITEM 10 FINANCING .....	25
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....	26
ITEM 12 TERRITORY .....	33
ITEM 13 TRADEMARKS .....	38
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	39
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	40
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	40
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	41
ITEM 18 PUBLIC FIGURES .....	45
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....	46
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION .....	51
ITEM 21 FINANCIAL STATEMENTS .....	56
ITEM 22 CONTRACTS .....	57
ITEM 23 RECEIPTS .....	57

### Exhibits

- A. List of State Administrators and Agents for Service of Process
- B. Financial Statements
- C. Franchise Agreement (including Appendices)
- D. Table of Contents to the Operations Manual
- E. Form of Release Agreement
- F. State Addenda
- G. Receipts

## ITEM 1

### **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Disclosure Document, “we,” “us” or “RSFG” means Restoration Specialties Franchise Group, LLC, the franchisor. “You” means the person or entity that invests in the franchise. If the franchisee is a corporation, partnership or other entity, “you” also may mean its owners. Certain provisions of the Franchise Agreement will apply to the owners of the entity and will be noted in this Disclosure Document.

#### The Franchise

Electronic Restoration Services (referred to as “ERS”) Businesses use state-of-the-art fire and disaster recovery technologies for the recovery, repair and restoration of electronic equipment and data for both residential and commercial consumers. After you complete our application and qualification process, if we, in our sole business judgment, accept you as a franchisee, you will develop and operate an ERS Business using the Trademarks (as defined in Item 13) and following the System, including distinctive and proprietary services and products, suppliers, sales and business techniques, operational guidelines, initial and ongoing training programs, and procedures in accordance with our specified standards and procedures. You will enter into a Franchise Agreement (attached as Exhibit C) for your ERS Business.

The Business you will operate will offer recovery, repair and restoration of electronic equipment and data services and related products primarily to residential customers, although you may service light commercial customers. Light commercial customers are described as jobs for commercial customers with gross sales less than \$15,000. You may service medium commercial customers (gross sales between \$15,001 to \$50,000) only with our prior written approval. Considerations for approval include items such as staffing considerations, available equipment, and your financial qualifications.

After one year in business, you may apply, and if you meet our then current qualifications, you may offer heavy commercial and/or industrial services; however, you will need to enter into a separate agreement(s) for each additional tier of approval that you receive (currently the tiers are \$50,000; \$250,000; \$500,000, and each successive multiple of \$250,000), pay a fee (not to exceed \$3,500), meet our commercial insurance requirements, and you meet certain financial qualifications. We also may require that you complete additional training. The exact considerations for medium, heavy and industrial customer approval will be in our Manuals and updated annually.

#### The Franchisor and any Parents, Predecessor and Affiliates

We are a Michigan limited liability company formed in March 2012. We do business under our corporate name and the names “ERS” or “Electronic Restoration Services”. Our principal business address is 12001 Levan Road, Livonia, Michigan 48150, 1-888-355-0001, [www.electronicrestoration.com](http://www.electronicrestoration.com)

Our agents for service of process are listed in Exhibit A to this Disclosure Document. We have no parents or predecessors.



We grant franchises to qualified persons for the right to open and operate an ERS Business. We are in the business of administering our franchise system. We have not offered franchises or operated businesses in any line of business.

We began offering ERS franchises in April 2012. As of December 31, 2012, we have 13 Franchisees.

We have 4 affiliates. Each of our 4 affiliates may provide certain goods or services to our ERS franchisees. . A description of the business operations of each of our 4 affiliates is outlined below. Our affiliates do not conduct business in any other line of business. As of the date of this Disclosure Document none of our affiliates offer franchises in any line of business, but may do so in the future.

- Electronic Restoration Services, Inc. (“ERSI”), a Michigan corporation, was formed on November 17, 1993. ERSI’s principal place of business is the same as ours. ERSI operates a business similar to the one offered by this Disclosure Document. As explained in Item 13, ERSI owns the Trademarks and has licensed them to us for use. In addition, ERSI will provide a variety of goods and services to our franchisees, including commercial services for data recovery, video recovery, and other such services until the franchisee is qualified to perform such services.

ERSI also operates a second division, which does business as Document Restoration Services (“DFD”). DFD was formed in September 2009. DFD’s principal place of business is 11847 Levan Road, Livonia, Michigan 48150. DFD provides restoration and recovery services of documents damaged by flood or fire, including the restoration and recovery of medical records, x-ray film, electronic media, books, files and other types of documents (“Document Restoration”). As of the date of this Disclosure Document DFD does not offer franchises in any line of business, although it reserves the right to do so in the future.

- ERS/CL, Inc. (“ERS/Cleveland”) a Michigan corporation was formed in January 2001 which operates a business similar to the one offered by this Disclosure Document in Cleveland, Ohio. ERS/Cleveland’s principal place of business is 1135 Industrial Parkway, Brunswick, Ohio 44212. ERS/Cleveland may supply products and services to ERS franchisees, as noted in Item 8.
- Art Recovery Technology, Inc. (“ART Inc.”). ART Inc. is a Michigan corporation formed in May 2001, located at 11847 Levan Road, Livonia, Michigan 48150. ART Inc. also has satellite offices in Columbus, Ohio, Cleveland, Ohio, Grand Rapids, Michigan and Indianapolis, Indiana. ART Inc. restores artwork and collectables, including paintings, frames, works on paper, photographs, sculptures, murals, mosaics, decorative arts, and other similar collectables (“Art Restoration”). As of the date of this Disclosure Document ART Inc. does not offer franchises in any line of business, although it reserves the right to do so in the future.
- ERS Depot, LLC, a Michigan Limited Liability Company was formed on April 9, 2012. ERS Depot’s principal place of business is the same as ours. ERS Depot will provide a variety of goods and services to our franchisees including chemicals, print materials and vehicle logos.

We also have 3 former affiliates:  
ERS FDD – April 2013

- ERS/Columbus, Inc. (“ERS/Columbus”), a Michigan corporation was formed in May 2007 and operated a business similar to the one offered by this Disclosure Document in Columbus, Ohio. ERS/Columbus’ principal place of business was 171 Schofield Drive, Whitehall, Ohio 43213. ERS/Columbus, Inc., was sold in March 2013 to be operated by an ERS Franchisee.
- ERS/GR, Inc. (“ERS/GR”) a Michigan corporation was formed in May 2000, which operates a business similar to the one offered by this Disclosure Document in Grand Rapids, Michigan. ERS/GR’s principal place of business was 5130 Patterson Ave., Suite B, Grand Rapids, Michigan 49512. ERS/GR, Inc., was sold in March 2013, and to be operated by an ERS Franchisee.
- ERS/INDY, Inc. (“ERS/Indy”) a Michigan corporation was formed in June 2007, which operates a business similar to the one offered by this Disclosure Document in Indianapolis, Indiana. ERS/Indy’s principal place of business was 2525 N. Shadeland Ave. Indianapolis, Indiana 46219. ERS/INDY, Inc., was sold in January 2013, and is operated by an ERS Franchisee.

### The Market and Competition

You will compete with other businesses offering electronic restoration services, including small independent businesses, restoration and recovery franchises, and other similar businesses. You may also encounter competition from other ERS franchises, and other businesses that we or our affiliates own or control. The market competition may vary from one geographic area to another but is generally well developed as insurance companies increasingly focus on restoration options.

The sales are not seasonal.

### Regulations, Licenses and Permits

The Business will be subject to various federal, state and local government regulations regulating business as generally. You must comply with all laws that apply to businesses, including laws regulating the disposal of waste, chemicals, and professional cleaning products. It is your sole responsibility to obtain, and keep in force all necessary licenses and permits required by public authorities.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### Liviv “Lee” Capatina: President

Mr. Capatina has been our President since our formation in March 2012. In addition, Mr. Capatina has served as President and Owner for each of the following affiliates during the timeframes noted below: ERSI in Livonia, Michigan (November 1993 to present); ERS/Cleveland in New Brunswick, Ohio (May 2007 to present), and Art Recovery Technologies, Inc. in Livonia, Michigan (May 2001 to present). Mr. Capatina formerly was President and Owner of ERS/ORL, Inc., from February 2004-March 2010 (Orlando, Florida), of ERS/Pitt, Inc., from February 2004-June 2011 (Pittsburgh, Pennsylvania), and of ERS/Ariz, Inc., from December 2008-December 2011 (Phoenix, Arizona); of ERS/Columbus in Columbus, Ohio (May 2004 to March 2013); ERS/GR in Grand Rapids, Michigan (May 2000 to March 2013);

and ERS/Indy in Indianapolis, Indiana (June 2007 to January 2013). Mr. Capatina is also the owner of various real estate holding companies.

Leo Gusfa: Managing Member, Vice President and Electrical Engineer

Mr. Gusfa has been the sole Managing Member, Vice President and Electrical Engineer since our formation in March 2012. In addition, Mr. Gusfa has served as Vice President and Electrical Engineer for each of the following affiliates during the noted timeframes: ERSI in Livonia, Michigan (March 2006 to present); ERS/Cleveland in Brunswick, Ohio (March 2006 to present); and Art Recovery Technologies Inc. in Livonia, Michigan (March 2006 to present). Mr. Gusfa formerly was Vice President of ERS/ORL, Inc., from March 2006-March 2010 (Orlando, Florida), of ERS/Pitt, Inc., from March 2006-June 2011 (Pittsburgh, Pennsylvania), and of ERS/Ariz, Inc., from December 2008-December 2011 (Phoenix, Arizona); ERS/Columbus in Columbus, Ohio (March 2006 to March 2013); ERS/GR in Grand Rapids, Michigan (May 2000 to March 2013); and ERS/Indy in Indianapolis, Indiana (March 2006 to January 2012).

Steve Lajiness: Vice President of Franchising

Mr. Lajiness has served as our Vice President of Franchising since our formation in March 2012. Prior to his position with ERS, Mr. Lajiness served as a Director of Franchise Development for BELFOR, located in Ann Arbor, Michigan from April 2006 to December 2011. Along with his wife, he has also been a Del Taco Franchisee since February 2010 in Toledo, Ohio.

Dan Limer: Vice President of Franchise Operations

Mr. Limer has served as Vice President of Franchise Operations since February 2012. He was VP of Strategic Planning for our affiliate ERSI from Jul 2012 to February 2013, located in Livonia, Michigan. Mr. Limer was a consultant from August 2010 to July 2012 in San Antonio, Texas. Before this, he was Vice President for our affiliate ERSI from June 2008 to August 2010 in Livonia, Michigan. Before this, Mr. Limer was Business Unit Financial Controller for Dura Automotive Systems in Rochester Hills, Michigan from July 2007 to June 2008.

Andrew Byrd: Vice President of Business Development

Mr. Byrd has served as our Vice President of Business Development since our formation in March 2012. From December 2000 to December 2011, Mr. Byrd served as the General Manager of ERS/Cleveland located in Brunswick, Ohio.

Michelle Justavino: Director of Franchise Administration

Ms. Justavino has served as Director of Franchise Administration since March 2012. From April 2007 to March 2012, Ms. Justavino served as Legal Department Manager at Service Brands International, LLC., the national franchisor for MOLLY MAID, Mr. Handyman, 1-800-DryClean and ProTect Painters, all located in Ann Arbor, Michigan.

George Wright: Director of Marketing

Mr. Wright as served as Director of Marketing since June 2012. From March 2011 to December 2011, he was National Director of Sales at Full Quota in Tysons Corner, VA. From June 1999 to February 2011; and December 2011 to June 2012 he was Managing Director at Wellington Unlimited, LLC., in Hudson, OH.

Tim O'Connor: Director of Training

Mr. O'Connor has served as Director of Training since August 2012. From July 2004 to August 2012 he was Director of Training & Technical Operations at Belfor Franchise Group, located in Ann Arbor, MI.

### **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**

##### Initial Franchise Fee

Except as noted below, you must pay to us an Initial Franchise Fee of \$49,900 when you sign a Franchise Agreement. The Initial Franchise Fee is fully earned upon receipt and is non-refundable. In addition, and except as noted below, when you sign a Franchise Agreement you also must pay \$65,000 for the Turn-Key Business Package, which is fulfilled by ERS Depot. The Turn-Key Business Package contains various products and equipment necessary for you to commence business operations, including: (i) equipment necessary to perform Restoration Services; (ii) computer equipment and software; (iii) initial inventory; (iv) office equipment and supplies; (v) vehicle decals; (vi) tools and equipment; (v) marketing supplies; and (vi) uniforms. The fee for the Turn-Key Business Package is non-refundable.

We participate in the Veterans Transition Franchise Initiative (commonly referred to as "VetFran") which seeks to provide opportunities for veterans who want to be in business. If you are a veteran of the U.S. Armed Forces who has been honorably discharged, you may be eligible to receive a \$2,000 discount off the Initial Franchise Fee.

You may apply for an additional Franchise, and if we approve your request, you may be awarded an additional franchise (Item 12). Currently the Franchise Fee for additional Franchises awarded to you is \$39,900. The requirement that you purchase a second Turn-Key Business Package is waived if you operate the second franchise under the same name, and from the same facility, as the first Franchise Agreement.

In our most recent fiscal year, Franchisees paid Initial Franchise Fees ranging from \$39,900 to \$49,900. Specifically \$39,900 was collected from Franchisees who purchased a second Franchised Business, as well as from one Franchisee who already had an established electronic restoration business.

As described further in Item 10, we may finance the Initial Franchise Fee and Turn-Key Business Package Fee. Under our financing arrangement, the Initial Franchise Fee and Turn-

Key Business Package Fee is paid in two installments. The first installment of \$6,500 is due and payable when you sign the Franchise Agreement. If you choose to pay the Initial Franchise Fee and Turn-Key Business Package Fee in two installments, you will sign a Promissory Note (in the form attached as Appendix H to the Franchise Agreement) for the remaining balance which will be due at the earlier of: (i) four months following the date of the Promissory Note or (ii) one week prior to your attending our Initial Training Program. No interest will be assessed provided the balance is paid within 30 days of the date of the Promissory Note. If the balance is not paid within this timeframe, interest will be assessed at an annual percentage rate of 9.9%. We will not order or ship the Turn-Key Business Package until payment has been made in full.

**ITEM 6**  
**OTHER FEES**

<b>Type of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date (Note 2)</b>	<b>Remarks</b>
Royalty Fee	7% of Gross Sales (Note 3)	Except as noted below, remitted weekly on Wednesday for the preceding week of collected revenue.	Via EFT Transfer. In certain circumstances we may collect a Shortfall Royalty from you or offer you a Royalty Rebate. See Note 4.
National Marketing Fund Fee	2% of Gross Sales (Note 3)	Weekly, remitted on Wednesday for the preceding week of collected revenue.	Via EFT Transfer. See Note 5.
Cooperative Advertising	1% of Gross Sales (Note 3)	Monthly, as negotiated with third party suppliers.	If we designate a local advertising cooperative, you must participate in the cooperative. See Note 6.
Insurance	Cost of Insurance	As required by insurer	If you fail to obtain insurance coverage we may, but are under no obligation to obtain coverage on your behalf and you must reimburse us for all costs and expenses we incur in doing so.
Technology Fee	Then current fee, currently \$50 per week	Weekly	Payable at the same time as the Royalty Fee.
Transfer Fee	Then current transfer fee, currently \$10,000	At time of transfer	
Renewal Fee	You must pay us a renewal fee equal to 20% of our then current Initial Franchise Fee	At time of renewal	
Conference Fee and Refresher Training Fees	Then current price, currently \$250 per person. If you fail to attend at least one meeting per year, we may assess you a fee of \$1,000.	Annually	To cover the cost of the conference. Non-attendance fee only applies if you fail to attend as required. Does not include hotel, transportation or all meals.

Type of Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
Training	The initial training for up to 3 people is included in the Initial Franchise Fee; cost of additional training is up to \$1,000 per person per week, and will vary under the circumstances. Does not include hotel, transportation or most meals.	As incurred	You must pay all travel and living expenses while attending any training programs, as well as any applicable wages or fringe benefits to employees. You will pay those charges directly to third parties. See Note 7 for more information on training.
Relocation Assistance or Temporary Management Assistance	Our actual costs of assisting plus our incurred expenses, currently estimated between \$500 and \$1,500 per day.	Upon demand	Payable only if you request our assistance in relocating the site of the Business; if you breach the Franchise Agreement (such that, absent our temporary assistance, the integrity of the Trademarks would be comprised); and/or following the death or incapacity of the franchisee, and we deem it necessary to operate the Business on your behalf.
Interest/Late Fees/NSF Fees	<u>Interest</u> : 18% per annum or the highest rate allowed by law. <u>Late Fee</u> : minimum of \$25 per late report. <u>NSF Fee</u> : currently \$37 per payment return by bank due to non-sufficient funds.	Upon demand	Applies to all overdue fees/payments and reports you owe to us, or for a NSF. Also applies to any understatement in amounts revealed by an audit or otherwise. See Note 8.
Audits	100% of understated royalty, plus interest at the maximum rate allowable by law (not to exceed 18% per year), as well as the cost of the audit	Upon demand	See Note 9.
Costs and Attorneys' Fees	Will vary under the circumstances	As incurred	See Note 10.
Indemnification	Will vary under circumstances. See Note 11.	As incurred	Only due if we are held liable for claims from your Franchised Business's operation.

Notes:

- (1) You pay all fees to us unless otherwise noted. All fees are uniformly imposed and non-refundable except as noted above.
- (2) We may change any due date with 30 days written notice to you.
- (3) "Gross Sales" means the aggregate of all sales and other income from the Business and any sales or other income resulting from your conduct of any business outside the

Business involving the System or the Trademarks. Gross Sales includes all proceeds from any business interruption insurance, but excludes any and all sales and other taxes that you collect from customers and pay to any governmental authority. In addition, you will pay all state and local taxes, including, without limitation, taxes denominated as income or franchise taxes, that may be imposed on us as a result of our receipt or accrual of any fees or payments due from you to us (or our affiliates) under the Franchise Agreement, whether assessed against you through withholding or other means or whether paid by us directly. In either case, you will pay to us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required.

- (4) If you fail to achieve the minimum level of weekly Gross Sales for a period of 3 or more consecutive weeks, or in any three out of six week period, we may collect a Shortfall Royalty equal to the difference between what we should have received had you achieved the minimum Gross Sales and the Royalty Fees we actually received. (See Item 12 for further information.).

Each calendar year, we will calculate the Royalty Fees that you paid to us during the previous year and, if you meet our qualifications, pay you a rebate up to 10% of the Royalty Fees you paid to us during the previous year (the "Royalty Rebate"). The qualifications for the Royalty Rebate may vary by year and currently include (a) franchisee was in compliance with the terms and obligations of its franchise agreement during the past year; and (b) franchisee attended the entire ERS Convention and all required training sessions. Additional qualifications for the Royalty Rebate will be noted in the Operations Manual. In the event of a sale or transfer of your Business, any accrued Royalty Rebate passes to the buyer or transferee, to be paid upon the same conditions as outlined in the Operations Manual.

- (5) The National Marketing Fund Fee is paid to us for deposit in the National Marketing Fund.
- (6) Unless we form an advertising cooperative, you are not required to engage in any local advertising, but we recommend that you invest 3-5% of your Gross Sales into local advertising. As further described in Item 11, we may designate a local advertising market and require you to contribute to, and participate in, an advertising cooperative. Each Business, including our ERS businesses owned by our affiliates, will be a member of the advertising cooperative. Each ERS Business will have one vote per Business. The contribution amount designated by the cooperative must be on a percentage of Gross Sales basis and per Business, and must be at least 1%.
- (7) You (or your required attendees) may be required to repeat, at your sole expense, all or any portion of the Initial Training Program if, in our sole business judgment, we determine that you (or any of your required attendees) failed to grasp any of the critical skills, knowledge and/or abilities needed to operate the Business. If required to repeat any or the entire initial training program, you will pay our then-current fee which we estimate may be up to \$1000 per person per week. The training fee will apply for any new Designated Manager (as defined in Item 16) for the ERS Business you operate.

- (8) The NSF fee currently is \$37 per returned payment. This cost may increase, but may be no higher than our actual costs incurred due to the returned payment, plus \$5 per returned payment as an administrative processing fee.
- (9) Audit and evaluations generally will be at our expense. However, if any audit or evaluation reveals that you have understated or underreported Gross Sales, or serviced in another ERS Franchisee or ERS Affiliates territory, in addition to the understated royalty, and applicable interest, you must reimburse us for the cost and out-of-pocket expenses of the inspection or audit.
- (10) The prevailing party in any action or proceeding under the Franchise Agreement, or otherwise relating to the Business, will be entitled to recover its reasonable attorneys' fees and costs. You (or your assignee) must also pay the attorneys' fees and costs we incur in any bankruptcy or insolvency proceeding pertaining to you. Further, in the event of a breach or threatened breach of the Franchise Agreement by either party, the aggrieved party will be entitled to an injunction or specific performance, as appropriate, plus reasonable attorneys' fees and costs.
- (11) As stated in Item 9, you also have certain indemnification obligations under the Franchise Agreement. In connection with those obligations, we have the right to select our own legal counsel to represent our interests, and you must reimburse us for our costs and attorneys' fees immediately upon request as they are incurred.

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**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$49,900	\$49,900	Lump sum	Upon signing of Franchise Agreement	Us
Real Estate/Rent (Note 2)	\$4,500	\$8,500	As arranged	Before commencing operations	Landlord
Leasehold Improvements	\$10,000	\$15,000	As arranged	Before commencing operations	Third Party Supplier
Security Deposits, Professional Fees and Business Licenses and Permits (Note 3)	\$1,000	\$3,000	As incurred	As incurred	Attorneys, other Professionals, Local and State Agencies, Landlord & Utility Companies
Insurance (Note 4)	\$3,000	\$5,000	As arranged	Before commencing operations	Third Party Supplier
Training (Note 5)	\$3,500	\$6,000	As incurred	As incurred	Transportation, Hotels, Restaurants
Vehicle (Note 6)	\$2,500	\$5,000		Before commencing operations	Third Party Supplier
Turn-Key Business Package (Note 7)	\$65,000	\$65,000	Lump sum	Before commencing operations	ERS Depot
Telephone System (Note 8)	\$650	\$1,000	As arranged	Before commencing operations	Third Party Supplier
Additional Funds (Note 9) (3 month period)	\$35,000	\$50,000	As incurred	As incurred	Various
<b>TOTAL (Note 10)</b>	<b>\$175,050</b>	<b>\$208,400</b>			

Notes: All amounts that you pay to us or our affiliates are non-refundable. Third party suppliers will decide if payments to them are refundable.

(1) Initial Franchise Fee. The Initial Franchise Fee is \$49,900. As outlined in Items 5 and 10 we may finance the Initial Franchisee Fee.

- (2) Rent. You will need to acquire a physical location for the Business of approximately 2,500 to 4,000 square feet that meets our site specific and architectural requirements, as noted in the Operations Manual. Among other requirements noted in the Operations Manual, the physical location of the Business must be located outside of your home and in your “Primary Area of Responsibility” or “PAR” (as defined in Item 12). Provided your proposed location for the Business satisfies our site selection criteria, we will not unreasonably withhold our acceptance of the site. The low rental estimate assumes rent for 3 months for a 2,500 square foot location and the high estimate assumes rent for 3 months for a 4,000 square foot location. Some markets may be more or less. Rental charges and terms will vary. You should consult a local real estate expert.
- (3) Security Deposits. Utility companies may require that you pay a deposit prior to installing telephone, broadband, gas, electricity and related utility services. A typical utility security deposit is one month’s expense. These deposits may be refundable in accordance with the agreements made with the utility companies and landlord.
- (4) Insurance. You must procure and maintain throughout the term of the Franchise Agreement insurance in such amounts that, at a minimum, meet the requirements outlined by us in writing, including commercial business and vehicle insurance. The actual cost of insurance and your payment schedule will vary based on various factors, including, without limitation, your insurer, policy limits, type of policies procured, commercial lease requirements (if any), nature and value of physical assets of the Business, number of employees, square footage, contents of the Business, geographical location, make and year of vehicle, credit score, your local market conditions and other factors bearing on risk exposure. Our estimate is for 3 months of commercial business, general liability and pollution liability insurance coverage. Our estimate does not include vehicle insurance coverage or workers’ compensation coverage. We are unable to estimate amounts for vehicle coverage and workers’ compensation insurance coverage because the requirements and rates vary widely from place to place.
- (5) Training. You must make arrangements to attend our Initial Training Program and pay for all related expenses, including transportation, lodging, and meals. If applicable, your Designated Manager and Principal Operator (if a different person) must also attend the Initial Training Program. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose. The estimate provided contemplates initial training of two people for approximately two weeks. Additional employees may attend training; however, you must pay our then-current daily training fee as well as all other related costs and expenses (e.g., travel, meals, etc.). These figures do not include wages.
- (6) Vehicle. In connection with the Business operations, you must have access to a vehicle with the minimum specifications noted in the Operations Manual. Currently, these specifications require that the vehicle be a new vehicle, be painted according to our color and design specifications, and have the Trademarks professionally applied before the vehicle is put into service. The range noted in the table above includes the first 3 months of estimated lease payment (based upon a 5 year lease). The amount you will pay will depend on the amount of your down payment (if any). Your expenses may be higher than the estimate depending on whether you choose to purchase or lease a new vehicle.

- (7) Turn-Key Business Package. The Turn-Key Business Package consists of various products and goods specified in the Operations Manual, including: (i) equipment necessary to perform Restoration Services; (ii) computer equipment and software; (iii) initial inventory; (iv) office equipment and supplies; (v) vehicle decals; (vi) tools and equipment; (vii) marketing supplies; and (vi) uniforms. As outlined in Items 5 and 10 we may finance the Turn-Key Business Package.
- (8) Telephone System. You must acquire and maintain a dedicated business telephone number from our approved vendor. You also must maintain the ability to send and receive faxes. We reserve the right to require you to use a call center we designate to answer your incoming sales calls. We will provide you with 30 days advance notice if we require you to use a call center.
- (9) Additional Funds. This amount of working capital is projected as sufficient to cover initial operating expenses, including local marketing, payroll costs for one technician, gasoline and general auto maintenance, Internet, and any other general business expenses for a period of 3 months. The cost assumes your cell phone has GPS and a high resolution camera, so you don't need to purchase those items separately. The estimate of additional funds does not include an owner's salary or draw. The amount of working capital you need will depend on a number of factors, including how closely you follow our recommended methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during the initial period. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business.
- (10) Total. This total is an estimate of your initial investment and is based on ERSI's 20 years of operating businesses similar to the Business being franchised, as well as our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To help ensure a uniform image and uniform quality of products and services throughout the ERS System, you must maintain and comply with our quality standards. Although you are not required to purchase or lease real estate from us or our Affiliates we must approve the location of your Business. It is your responsibility to ensure that your building plans comply with all applicable federal, state and local laws. Any required standards exist to protect our interest in the System and the Trademarks and not for the purpose of establishing any control, or the duty to take control, over those matters that clearly are reserved to you, including specifically

the day-to-day operations of the Business and franchise rights that we grant you the right and obligation to use.

In 2012 our total revenues were \$376,700 and we derived 0% of our revenues from the sale of required purchases or leases. In 2013, we expect to derive 0% of our revenues from required purchases or leases.

You can expect items and services purchased or leased in accordance with our specifications will represent approximately 80% to 90% of total purchases or leases you will make to begin operations of the Business; and that they will be 60% to 80% of the total purchases or leases required in the ongoing operation of the Business.

#### Approved Supplies and Vendors

The ERS Operations Manual contains a list of approved manufacturers, vendors, suppliers and distributors (“Approved Vendors List”), as well as approved products, equipment, computer hardware and software, technology, trademarked items, supplies and other items or services necessary to operate the Business (“Approved Supplies List”). The Approved Vendors List may specify the specific manufacturer of a specific product, service or piece of equipment and, unless we specify in writing to the contrary, you may purchase the specific product from any approved source that carries the specific approved products. From time to time we, an affiliate or a third party vendor or supplier may be the only approved vendor for certain products or services.

Currently, you must purchase the following products and/or services only from our affiliate, ERS Depot: the Turn-Key Business Package, ERS Depot branded chemicals, most additional chemicals, all print materials that bear the ERS trademarks and vehicle logos. The items included in the Turn-Key Business Package may be shipped F.O.B. from ERS Depot or approved suppliers, but you will pay ERS Depot directly for the Turn-Key Business Package. You will pay the then-current price in effect for all products and services you receive from us or an affiliate.

One of our officers own an interest in ERS Depot, which sells ERS Depot branded chemicals, additional chemicals, general job supplies, print materials and vehicle. No other officer of the franchisor owns an interest in any approved supplier. In 2012 ERS Depot’s total revenues from the sale of required purchases or leases to ERS Franchisees was \$428,713.

You must use products approved by us. We establish and modify specifications and standards for approved supplies based on our ongoing review of using quality products through our affiliates’ operation of their respective businesses and our communications with manufacturers and vendors. The lists also may include other specific supplies, products, services or equipment without reference to a particular manufacturer, or they may set forth the specifications and standards for other approved supplies. For example, you must obtain a telephone system from an approved supplier, and purchase or lease a vehicle that meets our specifications and requirements as outlined in the Operations Manual. We may revise the Approved Vendors List and Approved Supplies List from time to time which will be maintained in the Operations Manual. We will give you at least 10 days written notice before any change is required.

Except for instances where we designate a single source vendor, if you want to offer for sale at the Business any brand of product or services, or to use in the operation of the Business

any material, item, service or supply that is not then approved by us, or to purchase any product or service from a vendor that is not then designated by us as an approved vendor, you must notify us in writing and obtain our written approval prior to use. If requested by us, you must submit samples and other information as we require for testing or to otherwise determine whether the product, material, service or supply, or the proposed vendor meets our specifications and quality standards. We generally will notify you of vendor approval or disapproval within 60 days of our receipt of all the information and samples we request. We currently do not charge a fee in connection with our review and/or testing of alternate supplies and suppliers, but we reserve the right to charge you a fee (which will not exceed our actual costs in conducting the review and testing) in the future. We may re-inspect the facilities and products of any vendor or item or supply and revoke our approval of any vendor or item or supply that fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved vendor or item.

We apply the following general criteria in approving a proposed vendor: (1) ability to deliver product or offer service in conformity with our specifications; (2) willingness to protect the secrets behind the uniqueness of a product and service without dissemination to others; (3) production, supply considerations and delivery capability; (4) reputation and integrity of vendor; and (5) financial condition and insurance coverage of the vendor.

We may form strategic alliances with certain vendors. We and our affiliates reserve the right to receive rebates or other consideration from vendors in connection with your purchase of goods, products, supplies and services as described in this Item 8. Most of these rebates will be calculated on an amount based on quantity sold. We will retain and use such payments as we deem appropriate or as required by the vendor. We or our affiliates also may derive revenue from items or services that we sell directly to you by charging you more than cost. For example, you will pay the then-current price in effect for restoration services, ERS-branded chemicals and other products and services for which we or our affiliates are the sole supplier. In some cases, the cost for these items to you may be higher than the cost of comparable products and services on the market. In 2012, we received \$6,000 of the total revenues paid by Franchisees to Bill Brown Ford. Other than this, neither we nor our affiliate received revenue for these services prior to the date of this Disclosure Document.

There currently are no purchasing or distribution cooperatives. We may negotiate prices for products or services for the benefit of the System but not on behalf of individual franchisees. This does not guarantee that the price for these products or services will be lower than other similar products on the market. We are not aware of any purchasing or distribution cooperatives in the system. We do not provide material benefits to you (for example, renewal or granting additional franchises) based upon your purchase of particular products or services or use of particular suppliers. You may use only marketing and promotional materials that meet the standards described in Item 11.

### Insurance

You must procure and maintain during the term of the Franchise Agreement insurance policies protecting you, your employees, and us, our officers, employees and other persons that we designate by name, against all loss, liability, fire, personal injury, death, property damages, or theft arising from, or occurring in connection with, the operation and promotion of the Business.

The insurance coverages noted below reflect the minimum amounts of coverage we require; it is not meant to reflect the actual needs you may have or other state mandated coverage, and it is your sole responsibility to carefully evaluate whether such minimums will adequately meet your needs and state requirements (i.e., flood insurance, employment practices liability, pollution or major medical, etc.). We may require you to purchase insurance from a specific provider or providers.

The insurance requirements are as follows:

- (1) Commercial General Liability and Contractor's Pollution Liability Insurance. Coverage for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations liability coverage. Limits must be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit and \$1,000,000 per occurrence limit; and must specifically confirm coverage for pollution, mold and lead, with minimum limits of \$1,000,000 each incident, with \$1,000,000 aggregate. Contractual liability coverage including the assumed personal injury endorsement must be included to cover the indemnity provisions of this Franchise Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims. Such policy shall contain a waiver of subrogation endorsement as to claims against Restoration Specialties Franchise Group, LLC.

Restoration Specialties Franchise Group, LLC shall be named as an additional insured on this policy on a primary and noncontributory basis, and with a Grantor of Franchise Form CG2029 or an insurer's comparable form.

- (2) Automobile Liability Insurance. You shall maintain insurance with a combined single limit ("CSL") of \$1,000,000 for bodily injury and property damage for all owned or leased vehicles and include a hired and non-owned endorsement. Additionally, uninsured motorist and under-insured motorist coverage will be equal to the CSL.
- (3) Workers' Compensation and Employers' Liability. Statutorily required workers' compensation insurance and employer's liability insurance shall be maintained with limits of at least \$500,000 by accident, \$500,000 by disease and \$500,000 policy limit. In "Monopolistic States" including Ohio, North Dakota, Washington, Wyoming and West Virginia "Stop Gap" coverage must be purchased separately or added to the commercial general liability policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language.
- (4) Employee Dishonesty Insurance. You shall maintain employee dishonesty insurance with minimum limits of \$50,000 per loss and such coverage shall also cover acts of stealing against third parties. This coverage shall increase by \$50,000 for each \$4,000,000 in annual Gross Sales achieved up to \$250,000 per loss (for example, at \$4,000,000 in Gross Sales, your bond would need to increase to \$100,000 at \$8,000,000 to \$150,000, etc).
- (5) Umbrella or Excess Liability Insurance. You shall maintain a commercial umbrella liability insurance policy with minimum limits of \$1,000,000 per occurrence and aggregate and shall list the commercial general liability, pollution liability and automobile liability as scheduled underlying policies. This policy will need to increase by \$1,000,000 per occurrence and aggregate for each \$4,000,000 in Gross Sales achieved

up to \$10,000,000 per occurrence and aggregate (for example, at \$4,000,000 in Gross Sales, you would need to increase this to \$2,000,000, at \$8,000,000 to \$3,000,000, etc).

- (6) Property Coverage: You shall maintain insurance on your personal business property and place of business, at amounts equivalent to replacement value. Your property coverage must include Bailees Legal Liability Insurance, which must have minimum limits equal to the value of goods in storage at any one time, or \$100,000, whichever amount is higher. It will also need to cover at least \$50,000 per incident for goods in transit. We also recommend (but don't require) that the coverage include business income and expense coverage for twelve months.
- (7) Other Insurance. You shall comply with any state, county, local, or other municipal insurance requirements.

No deductible or self-insured retention can exceed \$5,000 for any required insurance policy, except that you may have retention of up to \$10,000 on the Umbrella Liability Insurance policy.

You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent.

All policies will name Restoration Specialties Franchise Group, LLC as an additional insured and any other entities that we designate (the "Indemnified Parties"), will contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the Indemnified Parties, will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive at least 10 days prior notice of any intent to cancel or materially alter any policy. Whenever a change is made to your policy, and before expiration of any insurance coverage, you must submit to us a copy or certificate or other acceptable proof of such insurance with a copy of the Additional Insured Endorsement on your policy. On occasion, we may request complete copies of all insurance policies to insure compliance with the insurance provisions of this contract.

Periodically we may modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant circumstances. You will receive at least 90 days advance written notice of any change.

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## ITEM 9

### FRANCHISEE'S OBLIGATIONS

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

	<b>Obligation</b>	<b>Article in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Article 5	Items 7 and 11
b.	Pre-opening purchases/leases	Article 6	Items 5, 6, 7 and 8
c.	Site development and other pre-opening requirements	Articles 5, 6 and 7	Items 7, 8 and 11
d.	Initial and ongoing training	Article 7	Items 5, 6 and 11
e.	Opening	Article 5	Items 5 and 11
f.	Fees	Articles 4, 8 and 9	Items 5, 6 and 7
g.	Compliance with standards and policies/Operations Manual	Articles 2, 3, 5, 6 and 7	Items 6, 7, 8, 11, 14 and 16
h.	Trademarks and proprietary information	Articles 3 and 6	Items 13 and 14
i.	Restrictions on products/services offered	Articles 2 and 6	Items 6, 7, 8, 11, and 16
j.	Warranty and customer services requirements	Articles 2 and 6	Items 6 and 11
k.	Territorial development and sales quotas	Article 2	Item 12
l.	Ongoing product/service purchases	Article 6	Items 6, 7 and 8
m.	Maintenance, appearance and remodeling requirements	Article 5	Items 8 and 11
n.	Insurance	Article 10	Items 6, 7 and 8
o.	Advertising	Article 9	Items 6, 7 and 11



	<b>Obligation</b>	<b>Article in Franchise Agreement</b>	<b>Disclosure Document Item</b>
p.	Indemnification	Article 10	None
q.	Owner's participation/ management/staffing	Article 7	Items 11 and 15
r.	Records/reports	Article 8	None
s.	Inspections/audits	Articles 6 and 8	Items 6 and 11
t.	Transfer	Articles 14 and 15	Items 6 and 17
u.	Renewal	Article 4	Items 6 and 17
v.	Post-termination obligations	Article 12	Item 17
w.	Non-competition covenants	Article 10	Item 17
x.	Dispute resolution	Article 13	Item 17
y.	Other	Not Applicable	Not Applicable

## **ITEM 10**

### **FINANCING**

Other than as disclosed in this Item, we do not offer any direct or indirect financing. We may finance the Initial Franchise Fee and Turn-Key Business Package Fee if you meet our qualifications and credit standards. You must sign a Promissory Note if we offer any financing to you. The following table summarizes the terms of the financing we may offer:

<b>Description</b>	<b>Obligation</b>
Source of Financing	Us
Amount Financed	Up to \$108,400
Down Payment	\$6,500
Term (number of years)	The earlier of 4 months from the date of the Promissory Note, or 1 week prior to attending Initial Training.
Rate of Interest plus Finance Charge	0% for the first 30 days, then 9.9% APR
Monthly Payment	None. Paid in one lump sum at the term end.
Prepayment Penalty	None.

<b>Description</b>	<b>Obligation</b>
Security Required	None.
Guarantee	If you are a legal entity your owners must sign a personal guarantee.
Liability upon Default	Termination of Franchise Agreement; you must pay entire amount due and our attorney's fees and court costs in collecting debt.
Loss of Legal Rights Upon Default	Termination of Franchise Agreement.

## **ITEM 11**

### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

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

Pre-Opening Assistance: Before you commence operations of the Business, we will:

1. Provide you with site selection criteria and consent for the location of the Business (Franchise Agreement, Article 5.A). We will accept your proposed site if it complies with our site selection criteria as outlined in the Operations Manual. We do not provide you with any other site selection assistance or lease negotiation assistance.
2. Provide you with the Turn-Key Business Package, Approved Vendors and Approved Supplies lists (Franchise Agreement, Articles 6.A, 6.B and 8.C).
3. Provide you with access to a copy of the Operations Manual containing mandatory and suggested specifications, standards and operating procedures for the Business (Franchise Agreement, Article 6.C).
4. Provide the training programs described below (Franchise Agreement, Article 7.B). We provide these training programs to up to 3 people without charge; however, you must pay all expenses for you and your employees, including training materials, travel and living expenses

Ongoing Assistance: During the operation of the Business, we will:

1. Maintain and administer the National Marketing Fund (Franchise Agreement, Article 9.A).
2. Provide updates to the Approved Services, Approved Vendors and Approved Supplies lists (Franchise Agreement, Article 6.B).
3. Provide refresher training courses, as we determine necessary, and require you to attend. Currently, we provide these training programs without charge; however, you must pay all expenses for you and your employees, including training materials, travel and living expenses (Franchise Agreement, Article 7.C).
4. Furnish you from time to time with updated and revised material for the Operations Manual (Franchise Agreement, Article 6.C).

5. Assist you in the development of a business plan to address various operational aspects and goals for the Business. (Franchise Agreement, Article 7.C.)

#### National Marketing Fund

You must pay us a National Marketing Fund (“Marketing Fund”) Fee of 2% of your Gross Sales. Businesses owned by us and/or our affiliate that operate a substantially similar business and scale as the franchised business (currently this would include ERS/Cleveland, referred to as the “contributing Affiliated Businesses” but would not include ERSI, ART, DFD or ERS Depot) will contribute to the Fund on the same basis as franchised ERS businesses. The 2% Marketing Fund Fee will be part of a Marketing Fund that we administer. We may use the Marketing Fund to formulate, develop, research and conduct marketing, promotional, public relations, customer satisfaction and/or lead generation programs to promote the ERS System and services in a form and media we determine in our sole judgment to be appropriate, including coverage that is local, regional or national in scope. We may use national and regional agencies from time to time to create and place advertising and marketing communications, public relations campaigns and/or develop and administer lead generation studies or programs. We reserve the right to use the Marketing Fund to reimburse us for all costs that we incur related to such programs, campaigns and studies, including the proportionate compensation of employees who devote time and render service in the conduct, formulation, development and production of the programs, campaigns and studies or the administration of the Marketing Fund.

As we first began franchising in 2012, we did not collect or expend any amounts related to the Marketing Fund prior to January 1, 2013. We have no obligations to spend any amount on marketing in the area or PAR (as defined in Item 12) where you are located. Excess Marketing Fund contributions not spent in any fiscal year will be carried over for future use. The Marketing Fund is not a trust or escrow account and creates no fiduciary duties or obligations. You have no property rights of any kind with respect to the monies in the Marketing Fund. The Marketing Fund is not audited, however, upon request; we will provide you with an unaudited financial report showing receipts and disbursements of the Marketing Fund from the previous fiscal year. The Marketing Fund will not be used for advertising principally directed at the sale of franchises; however, we may state on any advertisements that franchises are available, and to contact ERS for information regarding this opportunity.

#### Advertising Council

As of the date of this Disclosure Document we have not established an advertising council composed of franchisees, although we reserve the right to do so in the future.

#### Local Advertising Cooperatives

We have the right to establish and maintain local advertising cooperatives based on designated marketing areas. If a local or regional advertising cooperative is formed or organized in your market, you will be required to participate and contribute. The contribution amount designated by the cooperative must be on a percentage of Gross Sales basis and per ERS Business, and will be the greater of 1% of Gross Sales or \$5,000 per year. Each ERS business within an advertising cooperative, including contributing Affiliated Businesses, will be a member of the cooperative and have one vote per business. Each advertising cooperative will be required to adopt governing bylaws that meet our approval and that we may require the cooperative to amend from time to time. We may provide each advertising cooperative with a

sample form of bylaws that the cooperative must use and we must approve, containing certain terms and conditions that we require, although the bylaws cannot modify the voting structure outlined in this paragraph without our prior written permission. The advertising cooperatives must submit to us its meeting minutes upon our request. All advertising cooperatives must obtain our written approval of all promotional and advertising materials, creative execution and media schedules prior to their implementation. The members of each cooperative and their elected officers will be responsible for the administration of the advertising cooperative. We reserve the right to administer the cooperatives' funds and require payment from its members via electronic funds transfer. If we determine the need exists, we may require each advertising cooperative to engage the services of a professional media buyer or advertising agency that meets with our approval and has expertise in the industry and in the particular market. We may require each cooperative to have an independent certified public accountant prepare annual financial statements, which will be available to us and to all franchisee members of the cooperative. We have the right to require advertising cooperatives to be formed, changed, dissolved or merged. We may also implement a franchisee advisory council that will provide advisory input on marketing and related matters.

#### Local Marketing

You must join and participate in the claims and insurance associations that we designate as being pertinent to your market. You must claim, and pay for, the online listings that we designate. You also must list your Business telephone number in the Yellow Pages and White Pages of the primary telephone directory servicing your PAR. Unless we form an advertising cooperative, you are not required to engage in any additional local advertising; however, we highly recommend that you spend an additional 3-5% of Gross Sales on local marketing.

Additionally, after one year in business, you must hire an employee whose primary responsibility is to market the Business. With our prior written permission, you may serve in this capacity. If you serve in this capacity, you must hire a Designated Manager to manage the operation aspects of the Business.

You must submit your local marketing materials to us for approval (including print, electronic or other forms of media). We will not unreasonably withhold approval of your marketing materials if they are factually accurate and current, dignified and in good condition and accurately reflect the Trademarks. Any local advertising materials you submit to us will be deemed approved if we do not disapprove or comment on the materials within 10 business days of our receipt of the materials. We reserve the right to revoke the approval of any advertising material previously approved with 30 days written notice to you.

#### Customer Satisfaction Ratings

We require you to use and pay for the customer service rating system that we approve, as well as to meet certain customer satisfaction ratings as outlined in Appendix C to the Franchise Agreement (the "Customer Satisfaction Ratings"). The Customer Satisfaction Ratings will measure, on a scale of "1" to "10" (where "10" is the best score), the level of service provided to customers of the Business you operate through specific metrics noted in the Operations Manual. You must achieve an aggregate average customer satisfaction rating of 6.5 or above for each rolling 90-day period. If you fail to meet this aggregate average customer satisfaction rating, you will be deemed in default of the Franchise Agreement.

## Computer System

You must provide access to all financial and business records and information to us according to reporting formats, methodologies and time schedules that we establish from time to time, including through any intranet or extranet system we develop or implement or other online communications. You must use a computer in connection with your operation of the Business and must have high speed Internet access. We may access your Computer System (as defined below), including through any intranet/extranet system we develop or implement, and retrieve, analyze, download and use all data and files stored or used on the Computer System. We may have independent access to all of this information for the Business with no contractual limitation on our right to the information. You understand that the data storage, phone line, modem, communication software, Internet access, Internet email account and all additional hardware and software needed to implement and maintain these services is at your cost.

We will provide you the standards and specifications for the computer hardware and software (the “Computer System”). Currently, our Computer System includes: 1 laptop computer, 1 desktop computer, 1 bar code printer, 1 printer, QuickBooks and the proprietary software program we designate. The specifications for the Computer System are outlined more fully in the Operations Manual. The estimated cost to acquire the Computer System is \$6,900 and is included in the cost of your Turn-Key Business Package. You also must use and install an anti-virus software on all computers used in connection with your Business at your cost.

We have no obligation to maintain, update, upgrade or otherwise modify any computer software or hardware. You, however, are required to make periodic upgrades and updates to the Computer System as we direct and there are no contractual limitations on the frequency and cost of this requirement. These costs may include user fees, software licensing fees or technical support fees. The current estimated weekly cost of these upgrade requirements or services are \$50 per week.

You may be required to upgrade your Computer System to meet changing software requirements. Any Computer System upgrade will not be required more than once every three years. The cost to upgrade is set by third party suppliers. Any Computer System update will be specified to you in writing.

You must use the electronic mail account that we give you to receive and send electronic mail and transfer computer files with us, as well as for operation of the Franchised Business. You may not use another email account for Business operations. You must also use an approved Internet Connection type; currently we typically approve most DSL, Cable and Satellite high speed Internet providers.

You may not implement a web site or social media page yourself or through a third party provider without our prior written approval. You must claim, update and pay for all online listings as instructed by ERS.

## Typical Length of Time Before You Commence Operations of the Business

The typical length of time between the signing of the Franchise Agreement and commencement of operations of the Business is approximately 90 days; however, you must attend our Initial Training Program within four months of signing the Franchise Agreement and

commence operation of the Business within six months of signing the Franchise Agreement. This deadline may be extended only by prior written agreement with us.

Factors that may impact this length of time may include your ability to locate acceptable lease space, ability to secure permits, zoning and local ordinances, weather conditions, unforeseen delays in delivery or installation of equipment and fixtures, our training schedule, your ability to attend training and similar factors. If you fail to begin operations within the time agreed upon between you and us, we may terminate the Franchise Agreement (Franchise Agreement, Section 2.A).

### Operations Manual

We will provide you with access to or a copy of our Operations Manual. We may provide you with a copy of our Operations Manual through an internal website we establish. Our Operations Manual contains proprietary information and you must keep such information confidential. The current Operations Manual table of contents, as of the date of this Disclosure Document, is attached to this Disclosure Document as Exhibit E. We may revise the Operations Manual at any time.

### Training

As soon as you sign the Franchise Agreement, you will enter our “JumpStart” program, which is a six to eight week program that includes numerous required activities that must be completed prior to attending Initial Training. It includes activities such as reading the Operations Manual, securing leased space, developing a comprehensive business and marketing plan, securing all required permits, licenses, approved vehicles, and hiring your first technician. All JumpStart activities will be completed from your home, with phone assistance from our staff.

At least one week before beginning operations of the ERS Business, you and your employee, must attend and successfully complete to our satisfaction, our initial training program. Initial Training is eleven days in length. Your failure to successfully complete training may result in termination of the Franchise Agreement. Training generally occurs at our training facilities in Livonia, Michigan, but we may schedule your training at another site that we designate. We offer the training program as we determine necessary. You must pay for the salaries, fringe benefits, travel costs and expenses, and related costs for the individuals associated with you who attend the training program, but there is no separate fee for you and up to two additional people to attend the initial training program.

As of the date of this Disclosure Document, the initial training program is as follows:

## TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the- Job Training	Location
Customer Service	2	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
Marketing	4-6	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
The ERS System (Operations)	21-30	21-25	Our headquarters in Livonia, Michigan or an affiliate-owned location
General Session	4-6	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
Software	12-15	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
Safety	5	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
Additional Revenue Avenues	4	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
<b>TOTAL</b>	<b>52-68</b>	<b>21-25</b>	

We also offer a second Initial Training for Technicians. As of the date of this Disclosure Document, the Initial Training program for Technicians is as follows:

## TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the- Job Training	Location
General Session	3	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
Software	1	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
The ERS System (Operations)	8-10	63-65	Our headquarters in Livonia, Michigan or an affiliate-owned location
Safety	2	0	Our headquarters in Livonia, Michigan or an affiliate-owned location
<b>TOTAL</b>	<b>14-16</b>	<b>63-65</b>	

- (1) Tim O'Connor, Director of Training, currently oversees our training. Tim has over 19 years of training experience, 9 years of experience in restoration, and 9 months of experience with RSFG. Additional employees and others who have at least 6 months' experience (for example, opening, operations or systems management) will assist in training.
- (2) The instruction materials for the training consist of our Operations Manual and various presentations and demonstrations.
- (3) We reserve the right to modify the training class schedule and length.

We may provide and require that you (if the franchisee is a sole proprietor) or your Principal Operator (if franchisee is an entity), your Designated Manager (if applicable) and other employees we designate to attend ongoing training. If you designate a new Designated Manager after the initial training program, the Designated Manager must complete the initial training program to our satisfaction within 60 days of hire or as we can reasonably accommodate in our regularly scheduled training course. In the event you are given a notice of default and the default relates, in whole or in part, to your failure to meet any operational standards, we may require as a condition of curing the default that you, your Designated Manager and any other employees that we deem appropriate again attend and successfully complete our initial training program or other training program that we designate. This training will be at your expense.

In addition, we may hold and require that you, your Principal Operator, Designated Manager or other designated employees attend, at your expense, any conference, meeting, convention or seminar. At a minimum you are required to attend (a) a refresher training course



every two years; and (b) the ERS Convention each year. Failure to attend such conferences, meetings or seminars may result in an administrative fee of \$1,000 to compensate us for the employee time and expenses related to educating you and your employees with regards to the contents of such conference, meetings or seminars.

## **ITEM 12**

### **TERRITORY**

You will be assigned a Primary Area of Responsibility (“PAR”) where you must establish and operate an office for your Business. You will operate the Business from a specific location inside your PAR to which we must first consent. Except as described further below, you may only market and service customers located inside your PAR.

A PAR generally contains a population ranging from 1,250,000 to 2,500,000 people. We use population data from zip-codes.com in determining the population of your PAR. Your PAR will be specified by zip codes within which you may market and operate your Business. The number of zip codes included in your PAR will be determined by the population included in each zip code. Each PAR will contain a minimum population of 1,250,000 and a maximum population of 2,500,000. You may not advertise to, or service in any way, customers located outside your PAR without our prior written consent. Additionally, you do not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, (together referred to as “Alternative Distribution Channels”) to make sales inside or outside your PAR without our prior written approval.

Except as noted below, during the term of your Franchise Agreement, we will not: (i) establish or operate, or license any other party the right to establish or operate an ERS Business from an office or business address located inside your PAR, or (ii) authorize another ERS franchisee or any of our affiliates to directly market to a person located inside your PAR. Other ERS franchisees and/or any of our affiliates may indirectly advertise inside your PAR by advertising in national or regional print or such other media not directed primarily at persons inside your PAR, but which may reach or be received by persons in the PAR. You may advertise either as a single franchisee or, if the telephone directory encompassing your PAR includes another franchisee’s PAR, we may require that you advertise as a prorated participant in a common group advertisement. You may not directly advertise outside your PAR, even if the area has not been awarded to another ERS franchisee and is not serviced by one of our affiliates (an “Open PAR”), without our prior written consent. You may not, without our prior written consent, conduct any business outside your PAR.

If a customer located inside your PAR is in need of service outside your PAR, you may provide service to this customer provided: (i) the service will be performed in an Open PAR, and (ii) you receive prior written permission from us. If at any time the Open PAR is awarded to another ERS franchisee or to one of our affiliates, you must transfer all business you conducted inside the Open PAR to the new ERS franchisee or our affiliate.

In the event that you fail to properly perform a service or fail to provide a customer with a warranty in the form we prescribe, you will be given 30 business days to cure this default. If you fail to cure this default during the 30-day period we may refer the business to another ERS franchisee or one of our affiliates to perform the work with no further obligation to you, financial or otherwise, and you agree to fully indemnify us for any non-compliant work you performed.

Except as noted in this Item 12, we will not alter the PAR or your territorial rights during the term of the Franchise Agreement without your prior written consent. You do not receive the right to acquire additional franchises within or outside of your PAR unless you meet our then-current expansion requirements, pay us a fee and sign another franchise agreement with us. You may not relocate your office without our prior written approval.

### National Accounts

We and our affiliates have the right to create and implement local, regional and national relationships with customers (a “National Account”). Currently, ERSI builds our National Accounts. We also have contracted with ERSI to serve as our representative and advertise and service customers on our behalf as described in this Item. We reserve the right to contract these services to any other entity at any time or to complete them ourselves. We or our affiliates may designate a customer as a National Account based upon: (i) the size of the customer, (ii) size and/or scope of the work to be performed, and/or (iii) number of employees needed to complete the work. We or one of our affiliates will serve as the central contact within the ERS System for all National Accounts to refer business, and we will assign the National Account business relationship for a specific project or portion of a project to an ERS franchisee or one of our affiliates who is able to perform the services within the timeframe required regardless of whether the National Account work will be performed inside or outside your PAR. Accordingly, we, one of our affiliates or a third party we designate (which may be another ERS franchisee) may perform National Account work inside your PAR.

If the National Account work will be performed inside your PAR, we will assign the National Account work to you provided you meet all standards and requirements necessary to complete the work. To receive National Account work, you may be required to meet certain standards and requirements including entering into a separate agreement with the National Account vendor, paying a referral fee, being available for emergency response 24/7, agreeing to give a percentage discount, completing additional training, increasing your insurance, agreeing to the National Account’s procedures, and meeting standards for response time and customer service. Although we do not do so at this time, if we manage the National Account, we reserve the right to charge a fee, not to exceed 1% of Gross Sales, or our actual costs in administering that program, whichever amount is more.

If we assign work for a National Account to you and you perform the work, you will retain all Gross Sales for the work performed and pay us our standard royalty fee. If, however, the National Account work will be performed inside your PAR but we assign the National Account work to another ERS franchisee or one of our affiliates, you will be paid 2% of the Gross Sales for the work performed, less travel, hotel, per diem, referral fees paid to third parties, and other project costs not marked up.

We currently have a National Account Program set-up with ERSI for the completion of medium, heavy and industrial commercial electronic restoration jobs. As noted above and regardless of whether the job is part of our National Account Program, you must refer all Art Restoration jobs to ART Inc. and Document Restoration jobs to DFD. In the event that you are the first to refer a job to ERSI, ART or DFD, the corresponding entity will pay you a referral fee as follows:

Referral Fee	Description
10% of Gross Sales collected from the job, less hotel, travel, per diem, referral fees paid to third parties, and other project costs, which will not be marked up	Franchisee is the first to refer a job to us or one of our affiliates and the work is performed inside franchisee's PAR by ERSI, ART or DFD.
5% of Gross Sales collected from the job, less hotel, travel, per diem, referral fees paid to third parties, and other project costs, which will not be marked up	Franchisee is the first to refer a job to us or one of our affiliates, and the work is performed inside another franchisee's PAR or an Open PAR by ERSI, ART, or DFD.

In the event that a customer directly contacts us, one of our affiliates, or another ERS franchisee to perform a medium, large or industrial commercial electronic recovery and restoration job which is then completed in your PAR; you will be paid a fee of 2% of Gross Sales collected from the job, less hotel, travel, per diem, referral fees paid to third parties, and other project costs, which will not be marked up.

As noted above, at our option, we may choose to send in another ERS franchisee to perform a National Account project if the job is at a level of service that you have not yet been qualified to perform (medium, large or industrial), if that other ERS franchisee has been qualified to perform jobs of that level of service (for example, if you haven't been qualified to do large jobs, but another franchisee has been, we could send them in, but if you were qualified, we could not).

In the event that a customer directly contacts us, another ERS franchisee or one of our affiliates, and requests services different than those being offered under the Franchise Agreement (such as Art Restoration or Document Restoration), and such job is located in your PAR, we or our affiliates may perform the work inside your PAR without paying you a referral fee.

Our affiliates have not yet begun to franchise Art Restoration or Document Restoration, although they anticipate doing so in the future. In the event that ART and/or DFD are franchised, then the referral fees between franchises from each system (ERS, ART and DFD) may vary from what is described above, but will be on the same basis (i.e., if you referred a job to them, they would pay you 10% and vice versa).

Referral fees must be recorded in the Computer System, but are excluded from Gross Sales for royalty calculation purposes, and do not count towards fulfillment of your minimum gross sales requirements.

The Referral Fee will be paid to you within 30 days of receipt of payment for the job.

In the event of catastrophic loss, which is defined as an area deemed by the government as a state or federal disaster area, or if you so request; then we may send a Commercial Loss Team ("CLT"), which may consist of ERS, its affiliates and other ERS franchisees. In the event that we send a CLT, all referral fees will be paid as outlined above by the parties to whom you referred the job(s).

## Co-venturing

You may not service a customer if doing so is beyond your current equipment and/or personnel capabilities, or if it would disrupt the normal servicing of your customers without our prior written approval. Co-venturing with other franchisees must be managed through us, and you may not negotiate directly with other ERS franchisees for co-venturing at any time. Co-venturing is defined as any job or project that would require two or more ERS franchisees to complete. We will determine whether to approve a co-venture or require that you refer the job to ERSI.

## Rights We Reserve

We retain all rights that are not expressly granted to you under the Franchise Agreement. Further, we or our affiliates may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee, and without granting you any rights:

- (i) establish and operate a franchised or affiliate-owned ERS business whose office or business address is located outside your PAR;
- (ii) establish and operate, and/or license others to establish and operate, within and outside of your PAR, any business providing electronic recovery and restoration services under marks other than the ERS Trademarks, which business or businesses may solicit and provide services to any customer located inside and outside your PAR;
- (iii) establish and operate, and/or license others to establish and operate, within and outside of your PAR, any business providing services other than electronic recovery and restoration (for example Art Restoration or Document Restoration services) under the ERS Trademarks or any other marks, which business or businesses may solicit and provide services to any customer located inside and outside your PAR;
- (iv) offer, sell or distribute, within and outside your PAR, any products associated with the ERS System (now or in the future) or identified by the ERS Trademarks, or any other marks, through any distribution channels or methods, including, without limitation, to other recovery, repair and restoration of electronic equipment and data businesses, stores or locations, or any business or store of any kind, or by mail order, catalogue, or the Internet (or any other existing or future form of electronic commerce);
- (v) merge with, acquire or become associated with any businesses or stores of any kind under other systems and/or other marks, which businesses and stores may convert to or operate under the ERS Trademarks and offer or sell products and services that are the same as, similar to, or different than the products and services offered at or from your Business, and which may be located anywhere within or outside your PAR; and
- (vi) we reserve the exclusive right to market to all national and regional offices for insurance adjusters, general contractors or re-construction services, contents

cleaning companies, third-party administrators, even if such office is located in your PAR. However, we agree to refer all residential and light commercial jobs that are located in your PAR, and which are attained from these solicitations, to you.

We are not required to pay you any compensation if we exercise any of the rights specified above inside or outside your PAR except as described in this Item.

Although we have the right to do so (as described above), we have not operated or franchised, and have no plans to operate or franchise, other businesses selling similar products or services under different proprietary marks.

You may not restore medical equipment, or any other equipment that requires third party certification without our prior written permission. If approved, you will need to retain a copy of the third party certification in the customer file.

Except for as described in this Item 12, we do not restrict you from soliciting or accepting orders from any customer or potential customer located within your PAR.

You will not receive an exclusive territory. You will face competition from other franchisees, from outlets that we own, or from other channels of distribution or other competition brands that we control. Specifically, if you have not been approved to do medium, heavy and/or industrial commercial jobs, or in the event of catastrophic loss, we, our affiliates or another franchisee may service customers as outlined above. However, if we do so, we will pay you the referral fee as outlined above.

ERSI also locates, sells and manages restoration projects throughout the United States. Nothing in this Item 12 limits our or our affiliates' right to investigate, estimate, manage, and conduct such work within your PAR for National Prospects and/or Accounts.

**Minimum Gross Sales Requirement**

Following your first 18 months of operation, you must maintain the following minimum levels of weekly Gross Sales:

<b>Weeks in Operation</b>	<b>Minimum Weekly Gross Sales Required in PAR</b>
Greater than 0 but less than 78	No Minimum
Greater than 78 but less than 130	\$6,000
Greater than 130 but less than 182	\$7,000
Greater than 182 but less than 234	\$8,000
Greater than 234	\$9,000

If you do not achieve the required Minimum Gross Sales for any period of three or more consecutive weeks after 78 weeks in operation, or any three out of six week period, we may collect a shortfall royalty equal to the difference between the royalty fee you should have paid had you achieved the Minimum Gross Sales for those months and the actual royalty fees paid (the "Shortfall Royalty"). In addition, if you fail to achieve the Minimum Gross Sales as

specified above, we may also elect to establish another franchisee or affiliate in your PAR and/or allow another franchisee or an affiliate to advertise and service customers located inside your PAR.



The Minimum Performance Standards applicable to the Business you operate may vary from the performance standards applicable to other ERS businesses due to geographic area and other variables.

Failure to meet the Minimum Performance Standards constitutes a default under the Franchise Agreement. If you fail to cure any Minimum Performance Standards default by paying the Shortfall Royalty within 60 days, we may terminate the Franchise Agreement.

### ITEM 13

#### TRADEMARKS

The Franchise Agreement licenses you to use the service mark ERS, as well as other trademarks, service marks, trade names and commercial symbols (collectively, the “Trademarks”). We and our affiliate claim common law trademark rights for all of the Trademarks. Our affiliate, ERSI, has filed or intends to file all required affidavits and renewals for the Trademarks listed below. The following trademarks, service marks, trade names, logotypes, or other commercial symbols are registered with the United States Patent and Trademark Office and the registrations are on the principal register:

Principal Trademarks	Registration Date	Registration Number	Register
 (word plus design logo)	August 11, 2009	3,665,865	Principal
 Electronic Restoration Services (word plus design logo)	March 23, 2010	3,762,627	Principal

ERSI has licensed us to use the Trademarks in connection with the provision of recovery, repair and restoration of electronic equipment and data, and to sublicense the use of the Trademarks for the operation of a Business under a license agreement dated April 6, 2012 (the “Trademark License Agreement”). The Trademark License Agreement extends for an unlimited term, subject to earlier termination in accordance with its contractual provisions. ERSI may

terminate the Trademark License Agreement as follows: (i) if we materially breach the terms of the Trademark License Agreement or (ii) upon mutual written agreement of the parties. The Trademark License Agreement has no other material limitations.

Your use of the Trademarks and any goodwill is to the exclusive benefit of RSFG and our affiliate and you retain no rights in the Trademarks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Trademarks unless we direct in writing. Appendix B to your Franchise Agreement identifies the Trademarks that you are licensed to use. We have the right to change Appendix B from time to time. We may also designate the Trademarks you are licensed to use in the Operations Manual. You must comply within a reasonable time, at your sole expense, if we notify you to discontinue or modify your use of any Trademark. We will have no liability or obligation as to your modification or discontinuance of any Trademark.

There are currently no effective material determinations by the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Trademarks. Other than the license agreement with our affiliate, there are no currently effective agreements that significantly limit our rights to use or license the use of any Trademarks in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the Trademarks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Trademarks, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Trademarks and we have the sole right to decide to pursue or settle any infringement actions related to the Trademarks. You must notify us promptly of any infringement or unauthorized use of the Trademarks of which you become aware. If we determine that a Trademark requires changes or substitutions (whether as a result of a trademark infringement action or otherwise), you must make the changes or substitutions at your own expense. We will not be responsible for any other expenses or other amounts you may claim you are owed with respect to the changed Trademarks.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents or copyrights currently registered or pending that are material to the franchise, although we do claim copyright ownership and protection for our ERS Franchise Agreement, the Operations Manual training manuals, Web site and for various sales, promotional and other materials published from time to time.

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

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or

indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the patents or copyrights of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Operations Manual. Upon termination of your Franchise Agreement, you must return to us all proprietary information, including but not limited to the Operations Manual and all other copyright material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take any action and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to the manuals at your cost.

#### **ITEM 15**

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

During the term of the Franchise Agreement, you (if franchisee is a sole proprietor) or the Principal Operator (if franchisee is an entity) must devote full time and best efforts to the management of the Business. You must provide direct supervision to the Business. If we grant you express, written permission, you can hire a Designated Manager to perform your management obligations, including supervising your restoration technicians. You, your Designated Manager, and any other individuals we designate must complete our training course. The Designated Manager need not have any equity interest in the franchise and/or franchisee entity (if applicable). The use of a Designated Manager in no way relieves you of your obligations to comply with the Franchise Agreement and to ensure that the Business is properly operated. If you fail to adhere to the above obligations, such failure will be deemed a default under the Franchise Agreement and, to ensure the continued integrity of our Trademarks and system, we may service all customer accounts of the Business on a temporary basis until you cure the default.

All shareholders, officers, directors, partners, members and all managers and other employees having access to our proprietary information must execute non-disclosure, non-solicitation and non-competition agreements in a form we accept.

Any person or entity that is an owner of 5% or more of the franchisee, or any time becomes an owner of a minority interest of the franchisee, must execute the form of personal guaranty attached to the Franchise Agreement, whereby each guarantor personally guarantees the obligations of the franchisee there under.

#### **ITEM 16**

#### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

Item 8 of this Disclosure Document describes our requirements for approved supplies and vendors. You must offer for sale at the Business all of the services and products that we periodically require and you may not offer at the Business any unapproved services or products or use the office location (if applicable) for any purpose other than the operation of the Business nor may any products be sold to consumers or contractors without our prior written approval. You may not offer for sale or provide medium, heavy or industrial commercial restoration



services from the Business until such time as we in our sole judgment, determine that you have gained sufficient experience in the performance of Commercial Restoration Services. As you grow and become a more experienced franchisee, we may come to a mutual agreement that you may begin to handle those larger commercial jobs, with the proper guidance. We estimate that it will take at least 1-2 years after you sign your Franchise Agreement for you to have sufficient experience to conduct medium, heavy and/or industrial Commercial Restoration Services.

You must refer all Art Restoration and Document Restoration jobs to our affiliate. You may not restore medical equipment, or any other equipment that requires third party certification without our prior written permission. If approved, you will need to retain a copy of the third party certification in the customer file.

You may not resell, give, lease, rent or otherwise distribute any products that you purchase from us or our affiliates to any third-party.

You may not market to any national and regional offices for insurance adjusters, general contractors or re-construction services, contents cleaning companies, third-party administrators, even if such office is located in your PAR without our prior written permission. However, we agree to refer all residential and light commercial jobs that are located in your PAR, and which are attained from these solicitations, to you in accordance with the provisions of this section.

Except as noted above, you are not otherwise restricted in the customers located in your PAR to whom you may sell products or services except as otherwise expressly provided in writing by us. The success of the Business is largely dependent on your ability to attract and retain customers.

You are an independent contractor with control and direction of the Business and operations, subject to the conditions and specified in the Franchise Agreement and Operations Manual. The Business you operate is separate and apart from any that we may operate. Neither you nor we may bind each other or make any representations tending to create apparent agency, employment or partnership.

**ITEM 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

	<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Article 4.A	Term is 10 years
b.	Renewal or extension of the term	Article 4.B	Two renewal terms equal to 10 years each
c.	Requirements for franchisee to renew or extend	Article 4.B	You give us written notice of your decision to renew at least 9 months before the end of the expiring term; you sign our then-current form of

	<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
			<p>Franchise Agreement, which terms may be materially different than the original Franchise Agreement; you are not in default and have satisfied your obligations on a timely basis, including the Minimum Performance Standards; you make any updates to the Business facilities, equipment and supplies as we require; you comply with our training requirements; you sign a release; and you pay us a renewal fee equal to 20% of the then current Initial Franchise Fee.</p> <p>If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and territorial rights</p>
d.	Termination by franchisee	Article 11.B	Provided that you have been in full compliance with all terms and conditions of the Franchise Agreement, you may terminate the Franchise Agreement for material breach, provided that you have given us 30-days written notice of breach and allowed us 30 days to cure, during which time we did not cure the breach
e.	Termination by franchisor without cause	Not Applicable	None
f.	Termination by franchisor with cause	Article 11.A	We can terminate the Franchise Agreement only if you default or fail to comply with your obligations
g.	“Cause” defined – curable defaults	Article 11.A	You have 10 days to cure the non-submission of reports and non-payment of amounts due and owing; 10 days to cure a default of failure to carry the insurance that we require provided that you refrain from serving customers during that time period; 60 days to cure a default of the Minimum Performance Standards and/or Customer Satisfaction Ratings; and 30 days to cure defaults for the failure to abide by our standards and requirements in connection with the operation of the Business, or failure to meet any requirements or specifications established by us, and any other default not listed in “h” below
h.	“Cause” defined –	Article 11.A	Non-curable defaults include: (i) offering

	Provision	Article in Franchise Agreement	Summary
	non-curable defaults		services other than Restoration Services; (ii) willful and material falsification of any report, statement or other written data furnished to us; (iii) conviction of you, your Principal Operator or any Personal Guarantor of (or pleading no contest to) any felony or offense that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair the goodwill of any of the Trademarks (e.g., offense involving crime of moral turpitude); (iv) your insolvency or any Personal Guarantor's insolvency; (v) making an assignment or entering into any similar arrangement for the disposition of assets for the benefit of creditors; any unauthorized assignment or transfer of the Business, the Franchise Agreement or the stock of franchisee; (vi) any instance where you willfully deceive customers relative to the source, nature or quality of services sold; (vii) any default that results from a subsequent audit of the Business conducted within two years of a previous audit and both audits reveal an understatement of 2% or more in financial information provided to us; (viii) voluntary abandonment of the Business, (ix) servicing customers at a time when you are not carrying the insurance we require; or (x) any default by you that is the third similar default within any 12 month consecutive period. Furthermore, we may declare the Franchise Agreement null and void if you make any material misrepresentation on the franchise application or otherwise relating to the acquisition of the franchise
i.	Franchisee's obligations on termination/non-renewal	Article 12	Obligations include complete de-identification and payment of amounts due, assignment of lease upon our demand, assignment of any and all telephone numbers used in connection with the Business (e.g., employee cell phones), domain names and all e-mail addresses used for Business-related matters (including personal accounts as applicable), and return of Operations Manual and related writings (also see o and r below)
j.	Assignment of contract by franchisor	Article 15	No restrictions on our right to assign

	<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
k.	“Transfer” by franchisee - defined	Article 14.A	Includes any transfer of your interest in the Franchise Agreement or in the Business or any ownership change listed in Section 14.A of the Franchise Agreement
l.	Franchisor approval of transfer by franchisee	Article 14.B	We have the right to approve all transfers but will not unreasonably withhold approval
m.	Conditions for franchisor approval of transfer	Article 14.C	Transferee meets all of our then-current requirements for a franchisee, transfer fee paid, all amounts owed by prior franchisee paid, required modernization is completed, training completed, required guarantees signed, necessary financial reports and other data on franchise business is prepared, release signed by you, non-compete signed by you (also see r below); we also have the right to temporarily assume management and control of customer accounts of the Business during any transition period to ensure the continued integrity of the Trademarks and system
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Article 14.E	We can match any offer for the Business assets and, in the case of a proposed stock sale, we can purchase the Business assets at a price determined by an appraiser, unless you and we agree otherwise.
o.	Franchisor’s option to purchase franchisee’s business	Not Applicable	None
p.	Death or disability of franchisee	Article 14.D	You can transfer your franchise rights to your heir or successor in interest like any other transfer, provided the person satisfies our training requirements and other transfer conditions, but if assignee is your spouse or child, no transfer fee is required. During any transition period, we have the right to assume management and control of the Business
q.	Non-competition covenants during the term of the franchise	Articles 10.D.1 and 10.D.2	No direct or indirect involvement in any business that sells or offers services that are the same as or similar to ERS Businesses or any other restoration business, other than one authorized in the Franchise Agreement
r.	Non-competition covenants after the franchise is terminated or expires	Articles 10.D.1 & 10.D.3	No direct or indirect involvement in a competing business for 2 years (i) in the PAR, (ii) within 40 miles of the former PAR, (iii) within the PAR of another ERS franchisee; or (iv) within the PAR

	<b>Provision</b>	<b>Article in Franchise Agreement</b>	<b>Summary</b>
			of an ERS Affiliate who operates under the ERS Trademarks.
s.	Modification of the agreement	Articles 3, 6 & 16.B	No modifications generally, but we have the right to change the Operations Manual, list of authorized trademarks and list of Authorized Products and Vendors
t.	Integration/merger clause	Article 16.B	Only the terms of the Franchise Agreement (including System Standards in the Operations Manual) are binding (subject to state law). Any statements or promises not in the Franchise Agreement or this Disclosure Document should not be relied upon and may not be enforceable
u.	Dispute resolution by arbitration or mediation	Article 13	Except for certain claims, all disputes must be mediated in the city where our national headquarters is located (currently Livonia, Michigan), subject to state law
v.	Choice of forum	Article 16.I	Litigation must be in the applicable state or federal district court where our national headquarters is located (currently Livonia, Michigan), subject to state law
w.	Choice of law	Article 16.I	Except for claims under federal trademark law, and the parties' rights under the Federal Arbitration Act, the law of the state of Michigan will govern any dispute, subject to state law and except that any Michigan laws relating to franchises will not apply unless the jurisdictional requirements of such laws are satisfied independent of Article 16.I

## **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.

As noted in Item 1, we began franchising in 2012 and have no franchisees as of the date of this Disclosure Document who have operated for an entire fiscal year.

Two of our affiliates, ERSI, and ERS/Cleveland, who were disclosed in Item 1 operate businesses similar to the ERS Businesses offered in this Disclosure Document, and are still in operation as of the date of this Disclosure Document. This Item 19 disclosure includes financial performance information for the residential division of ERSI, and ERS/Cleveland (collectively, the "Affiliated Businesses"). ERSI also operates a commercial division; those sales were not included in this Item 19 because the business and scope of work performed by that division is different from the business and scope of work that will be performed by the ERS Businesses described in this Disclosure Document.

Each of the Affiliated Businesses has been open and operating for at least 2 years. The Affiliated Businesses are substantially similar in design and operation to the ERS Businesses described in this Disclosure Document.

As described in the following paragraph, Table 1 and Table 2 display certain average and actual performance data related to the Affiliated Businesses for the time period of January 1, 2012 through December 31, 2012.

**TABLE 1: GROSS SALES**

The tables below identify certain Gross Sales information for the period of January 1, 2012 to December 31, 2012 for the Affiliated Businesses. The first table shows the actual Gross Sales for the two units. The second table shows the average Gross Sales for the two units.

**ACTUAL GROSS SALES**

<b>Affiliate</b>	<b>Actual Annual Gross Sales</b>
ESRI – Residential (Livonia)	\$2,432,849
ERS/Cleveland	\$949,803

**AVERAGE GROSS SALES**

<b>Average Gross Sales</b>	<b>High</b>	<b>Low</b>	<b>Number of Locations</b>	<b>Number Above Average</b>	<b>Number Below Average</b>	<b>% Above Average</b>	<b>% Below Average</b>
\$1,691,326	\$2,432,849	\$949,803	2	1	1	50%	50%

Notes: Gross Sales means all revenue received from operating the business less any sales tax receipts or similar tax receipts that, by law, are chargeable to customers, if these taxes are separately stated when the customer is charged and any documented refunds made according to ERS policies and procedures, but does not include any discounts given to customers. Actual Gross Sales is defined as the total Gross Sales for each Affiliated Business. Average Gross Sales is defined as the total Gross Sales for all Affiliated Businesses divided by the number of Affiliated Businesses.

**TABLE 2: GROSS MARGIN**

The tables below identify the Gross Margin for ERS/Cleveland during the time period of January 1, 2012 to December 31, 2012.

Gross Margins for ERSI were not included because their expenses are combined between the residential and commercial division.

**ACTUAL GROSS MARGIN**

<b>Affiliate</b>	<b>Area</b>	<b>In Dollars</b>	<b>As a % of Gross Sales</b>
ERS/Cleveland	Cleveland	\$636,168	67%

**AVERAGE GROSS MARGIN**

<b>Description</b>	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Number of Locations</b>	<b>Number Above Average</b>	<b>Number Below Average</b>	<b>% Above Average</b>	<b>% Below Average</b>
In dollars	\$636,168	\$636,168	\$636,168	1	n/a	n/a	n/a	n/a
As a percent of Gross Sales	67%	67%	67%	1	n/a	n/a	n/a	n/a

Notes: Gross Margin means Gross Sales less direct costs of sale including all materials and supplies, direct labor, subcontractor costs, travel, rented equipment and other costs directly associate with performing the work. Direct expenses exclude administrative payroll, payroll taxes, owner compensation/salary, healthcare costs, employee benefits, uniforms, office supplies, postage, entertainment expenses, utilities and telephone expenses, vehicles, insurance, training fees, royalties and advertising fees, marketing expenses, and other fees or overhead costs you may incur unrelated to the performance of any particular job. The percentage is calculated by dividing the Gross Margin by the Gross Sales of the Affiliated Businesses.



**TABLE 3: REFERRALS TO NATIONAL HEADQUARTERS**

The tables below identify information relating to the jobs that were referred by ERS/Cleveland to ERSI between January 1, 2012 and December 31, 2012.

Referral work is defined as any work that the Affiliated Business was not able to perform under its own operations and was referred to ERSI, ERSI’s Document Freeze Drying Division or ART Inc. Referrals are not included as part of the unit’s Gross Sales.

Gross Margins for ERSI were not included, as they are ones completing the referral work.

**ACTUAL REFERRALS**

<b>Affiliate</b>	<b>Number of Referrals</b>	<b>Referrals in Dollars</b>
ERS/Cleveland	45	\$2,674,308

**AVERAGE ACTUAL REFERRALS**

<b>Description</b>	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Number of Locations</b>	<b>Number Above Average</b>	<b>Number Below Average</b>	<b>% Above Average</b>	<b>% Below Average</b>
Number of Referrals	45	45	45	1	n/a	n/a	n/a	n/a
Referrals in Dollars	\$2,674,308	\$2,674,308	\$2,674,308	1	n/a	n/a	n/a	n/a

**TABLE 4: JOB DETAIL**

The tables below identify information relating to the job detail for the period of January 1, 2012 to December 31, 2012 for the Affiliated Businesses. Number of Jobs refers to the total number of jobs received. Average Job Size refers to the Gross Sales for each job. Number of unique referrals, refers to the number of unique companies that gave the work to the Affiliate.

**JOB DETAIL**

<b>Affiliate</b>	<b>Number of Jobs</b>	<b>Average Job Size</b>	<b>Number of Unique Referrals</b>
ESRI – Residential (Livonia)	1,109	\$2,194	193
ERS/Cleveland	450	\$2,111	90

**JOB DETAIL - AVERAGES**

<b>Description</b>	<b>Average</b>	<b>High</b>	<b>Low</b>	<b>Number of Locations</b>	<b>Number Above Average</b>	<b>Number Below Average</b>	<b>% Above Average</b>	<b>% Below Average</b>
Number of Jobs	780	1,109	450	2	1	1	50%	50%
Average Job Size	\$2,152	\$2,194	\$2,111	2	1	1	50%	50%
Number of Unique Referrals	142	193	90	2	1	1	50%	50%

\* \* \*

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Michelle Justavino at 12001 Levan Road, Livonia, Michigan 48150 or 1-888-355-0001, the Federal Trade Commission, and the appropriate state regulatory agencies.

You are likely to achieve results that are different, possibly significantly and adversely, from the results shown above. Many factors, including location of your ERS Business and PAR, customers located within the PAR, management capabilities, local market conditions, weather

ERS FDD – April 2013 50

and other factors, are unique to each ERS Business and may significantly impact the financial performance of the business you operate. We do not make any promises or representations of any kind that you will achieve any particular results or level of performance or profitability or even achieve break-even results in any particular year of operation. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

We recommend that you conduct your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state, and local income taxes and any other applicable taxes that you may incur in operating an ERS Business.

You must bear in mind that a newly opened business should not be expected to achieve sales volumes similar to that of an established business.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1 - Systemwide Outlet Summary for Years 2010 to 2012**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchisee	2010	0	0	0
	2011	0	0	0
	2012	0	13	+13
Company-Owned	2010	0	0	0
	2011	0	0	0
	2012	0	0	0
Total Outlets	2010	0	0	0
	2011	0	0	0
	2012	0	13	+13

**Table No. 2 - Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for Years 2010 to 2012**

Total Outlets	2010	0	0	0
	2011	0	0	0
	2012	0	0	0

**Table No. 3 - Status of Franchised Outlets for Years 2010 to 2012**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
IL	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
KY	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
MD	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	3	0	0	0	0	3
NC	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
OH	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
PA	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
TN	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	3	0	0	0	0	3
Total	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	14	0	0	0	0	13

**Table No. 4 - Status of Company-Owned Outlets for Years 2010 to 2012**

State	Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Total	2010	0	0	0	0	0
	2011	0	0	0	0	0
	2012	0	0	0	0	0

**Table No. 5 - Projected Openings as of April 1, 2013**

State	Franchise Agreements signed but Outlet not opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Georgia	0	1	0
Indiana	0	1	0
Virginia	0	1	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>0</b>

Note 1: In Tables 1-5, there has been no activity in the states omitted from the tables during the years indicated.

Note 2: Below are the names, addresses of all our Franchisees and affiliates as of the date of this Disclosure Document.

**Georgia**

Ralph Martin (2 units) \*  
 ERS of Metro Atlanta  
 Address Pending  
 Phone: 404-731-1593

**Illinois**

William Birch  
 ERS of SW Chicagoland  
 40 East Belmont Drive, Romeoville, IL 60466  
 Phone: 331-643-4111

Jamie Trebec  
ERS of North Cook and Lake Counties  
584 Chaddick Drive, Wheeling, IL 60090  
Phone: 847-796-4999

**Indiana**

Catherine McGannon \*\*  
ERS of Greater Indianapolis  
8424 East 33rd Street, Indianapolis, IN 46226  
Phone: 317-357-8950

**Kentucky**

Patrick and Ellen Corbett  
ERS of Louisville  
207 River Hills Drive, Suite 107, Nashville, TN 37210  
Phone: 615-988-3300

**Maryland**

Joseph (Joe) Alto  
ERS of DC and MD Metro  
901 Brightseat Rd., Hyattsville, MD 20785  
Phone: 301-955-0885

Gary Wah (2 units)  
ERS of Baltimore and Delaware  
11655 Crossroads Circle, Suite A, White Marsh, MD 21220  
Phone: 410-616-7991

**Michigan**

Electronic Restoration Services, Inc - Affiliate Owned  
Contact: David de la Torre  
12001 Levan Road, Livonia, MI 48150  
Phone: 888-355-0001

Robert Schultz \*\*  
ERS of Grand Rapids and SW Michigan  
5130 Patterson SE, Suite #8, Grand Rapids, MI 49512  
Phone: 888-355-0001

**North Carolina**

Jeff Milligan  
ERS of the Triangle  
1011 Classic Road, Apex, NC 27539  
Phone: 919-629-2011

Todd Milligan  
ERS of Charlotte  
Address Pending  
Phone: 919-629-2011

**Ohio**

ERS/Cleveland, Inc. - Affiliate Owned  
Contact: Tom Latta  
1135 Industrial Parkway N., Brunswick, OH 44212  
Phone: 888-355-0001

Richard Walker \*\*  
ERS of Columbus and SE Ohio  
171 Shofield Dr., Columbus, OH 43213  
Phone: 888-355-0001

Cliff Meyer and Steve Berner  
ERS of Miami Valley  
1113 Sunset Avenue, Rear, Springfield, OH 45505  
Phone: 877-680-5595

**Pennsylvania**

Joseph (Joe) Kelly  
ERS of Southwestern PA  
1061 Main Street, Ste 9, North Huntingdon, PA, 15642  
Phone: 724-382-3022

**Tennessee**

Kevin Breier and Heather Blade  
ERS of East Tennessee  
206 Sherlake Lane, Knoxville, TN 37922  
Phone: 865-293-0744

Patrick Corbett  
ERS of Nashville  
Address Pending  
Phone: 615-988-3300

Reginald (Reggie) Suits  
ERS of Greater Chattanooga  
100 Cherokee Blvd, Suite 122, Chattanooga, TN 37405  
Phone: 423-591-6030

## **Virginia**

Mark Kastilahn \*  
ERS of Northern Virginia  
Address Pending  
Phone: 530-848-4017

\* signed after the close of our most recent fiscal year

\*\* signed after the close of our most recent fiscal year, previously was an ERS Affiliate owned unit

**Note 3:** We have no former franchisees or franchisees who have failed to communicate with us within 10 weeks of the issuance date of this disclosure document.

**Note 4:** We have not signed any confidentiality clauses with current or former franchisees during the last three fiscal years which would restrict them from speaking openly with you about their experience about us.

**Note 5:** We have not sponsored, endorsed or created any trademark-specific franchisee associations. As of the date of this issuance, there are no independent franchisee organizations that have asked to be included in this disclosure document.

**Note 6:** If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

## **ITEM 21** **FINANCIAL STATEMENTS**

As noted in Item 1, we were formed in March, 2012.

Included in this Disclosure Document as Exhibit B, is the audited balance sheet, statements of operations, stockholders' equity and cash flows for Restoration Specialties Franchise Group, LLC for the time period of March 1, 2012 through December 31, 2012. Our fiscal year end is December 31.

Restoration Specialties Franchise Group, LLC has not been in business for three years or more, so it cannot include financial statements for each of the three previous fiscal years.

As noted in this Disclosure Document, franchisees are required to purchase products from ERS Depot, LLC. As such, Exhibit B also includes the audited balance sheet, statements of operations, stockholders' equity and cash flows for ERS Depot, LLC for the time period of April 9, 2012 through December 31, 2012. ERS Depot, LLC., has a fiscal year end of December 31.

ERS Depot, LLC has not been in business for three years or more, so it cannot include financial statements for each of the three previous fiscal years.



**ITEM 22**  
**CONTRACTS**

This Disclosure Document includes a sample of the following contracts that you will be required to sign in connection with being granted a franchise:

Exhibit C: Franchise Agreement, including appendices:

- A Territory
- B Trademarks
- C Minimum Performance Standards
- D Assignment of Telephone Numbers
- E Assignment of Domain Name and E-Mail Addresses
- F Ownership Addendum

Acknowledgement Addendum

Exhibit E: Form of Release Agreement

**ITEM 23**  
**RECEIPTS**

A detachable acknowledgment of receipt is attached as Exhibit F.



**EXHIBIT A**

**List of State Administrators and Agents for Service of Process  
LIST OF STATE ADMINISTRATORS,  
AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b><u>CALIFORNIA</u></b>	Department of Corporations 1515 K Street Suite 200 Sacramento, CA 95814 (866) 275-2677	Corporations Commissioner 1515 K Street Suite 200 Sacramento, CA 95814
<b><u>HAWAII</u></b>	State of Hawaii Business Registration Division Department of Commerce and Consumer Affairs King Kalakaua Building 335 Merchant Street Room 205 Honolulu, HI 96813 (808) 586-2744	Commissioner of Securities King Kalakaua Building 335 Merchant Street Room 205 Honolulu, HI 96810
<b><u>ILLINOIS</u></b>	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, IL 62706
<b><u>INDIANA</u></b>	Securities Commissioner Indiana Securities Division Room E 111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
<b><u>MARYLAND</u></b>	Office of the Attorney General Securities Division 20th Floor 200 St. Paul Place Baltimore, MD 21202 (410) 576-7044	Maryland Securities Commissioner 200 St. Paul Place, 20th Floor Baltimore, Maryland 21202-2020
<b><u>MICHIGAN</u></b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau 670 Law Building Lansing, MI 48913
<b><u>MINNESOTA</u></b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101 (651) 296-4026	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, MN 55101

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b><u>NEW YORK</u></b>	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8222	Secretary of State of New York 41 State Street Albany, NY 12231-0001
<b><u>NORTH DAKOTA</u></b>	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-2910	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 <sup>th</sup> Floor Bismarck, ND 58505-0510
<b><u>RHODE ISLAND</u></b>	Division of Securities 1511 Pontiac Division John O. Pastore Center Building 69-1 Cranston, RI 02920 (401) 277-3048	Director of Department of Business Regulation 1511 Pontiac Division John O. Pastore Center Building 69-1 Cranston, RI 02920
<b><u>SOUTH DAKOTA</u></b>	Department of Labor and Regulation Division of Securities 445 E. Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823	Director of South Dakota Division of Securities 445 E. Capitol Avenue Pierre, SD 57501-3185
<b><u>VIRGINIA</u></b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, First Floor Richmond, VA 23219
<b><u>WASHINGTON</u></b>	Department of Financial Institutions Securities Division P. O. Box 41200 Olympia, WA 98504 (360) 902-8700	Same (or physical address is): 150 Israel Road SW Tumwater, WA 98501
<b><u>WISCONSIN</u></b>	Commission of Securities 345 West Washington Ave. Madison, WI 53703 (608) 266-1365	Wisconsin Commissioner of Securities 345 West Washington Ave. Madison, WI 53703

**EXHIBIT B**  
**Financial Statements**



**RESTORATION SPECIALTIES FRANCHISE  
GROUP, LLC**

AUDITED FINANCIAL STATEMENTS

For the period from organization (March 23, 2012) to  
December 31, 2012

# RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Balance Sheet	3
Statement of Income and Member Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6



## **INDEPENDENT AUDITOR'S REPORT**

To the Member  
of Restoration Specialties Franchise Group, LLC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Restoration Specialties Franchise Group, LLC (a State of Michigan LLC), which comprise the balance sheet as of December 31, 2012, and the related statements of income and member equity and cash flows for the period from organization (March 23, 2012) to December 31, 2012, 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.

### **Auditor's Responsibility**

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

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

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

To the Member  
of Restoration Specialties Franchise Group, LLC  
Page Two

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Restoration Specialties Franchise Group, LLC as of December 31, 2012, and the results of its operations and its cash flows for the initial period then ended in accordance with accounting principles generally accepted in the United States of America.

*UHY LLP*

Farmington Hills, Michigan  
March 6, 2013

**RESTORATION SPECIALTIES FRANCHISE GROUP, LLC**  
**BALANCE SHEET**  
**December 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 107,750
Accounts receivable:	
Trade	21,450
Affiliate	235,100
Prepaid fees	<u>43,000</u>
Total current assets	<u>407,300</u>

<b>PROPERTY AND EQUIPMENT, net</b>	<u>30,878</u>
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<b>TOTAL ASSETS</b>	<u><u>\$ 438,178</u></u>
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**LIABILITIES AND MEMBER EQUITY**

**CURRENT LIABILITIES**

Accounts payable	\$ 16,880
Accrued leased labor	14,984
Deferred revenue	<u>188,600</u>
Total current liabilities	<u>220,464</u>

<b>MEMBER EQUITY</b>	<u>217,714</u>
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<b>TOTAL LIABILITIES AND MEMBER EQUITY</b>	<u><u>\$ 438,178</u></u>
--------------------------------------------	--------------------------

**RESTORATION SPECIALTIES FRANCHISE GROUP, LLC**  
**STATEMENT OF INCOME AND MEMBER EQUITY**  
For the period from organization (March 23, 2012) to December 31, 2012

	<u>Amount</u>	<u>Percent of Revenues</u>
<b>Revenues</b> - Initial franchise fees	\$ 376,700	100.0 %
Operating expenses	<u>358,986</u>	<u>95.3</u>
<b>Net income</b>	17,714	<u>4.7 %</u>
<b>Member contribution</b>	<u>200,000</u>	
<b>Member equity, ending</b>	<u>\$ 217,714</u>	

**RESTORATION SPECIALTIES FRANCHISE GROUP, LLC**  
**STATEMENTS OF CASH FLOWS**  
For the period from organization (March 23, 2012) to December 31, 2012

**OPERATING ACTIVITIES**

Net income	\$ 17,714
Adjustments to reconcile net income to net cash flows from operating activities:	
Depreciation	6,499
Changes in:	
Accounts receivable - Trade	(21,450)
Accounts receivable - Affiliate	(235,100)
Prepaid fees	(43,000)
Accounts payable	16,881
Accrued leased labor	14,984
Deferred revenue	<u>188,600</u>
Net cash used in operating activities	<u>(54,872)</u>

**INVESTING ACTIVITIES** - Expenditures for property and equipment

(37,378)

**FINANCING ACTIVITY** - Member contribution

200,000

**NET CHANGE IN CASH**

107,750

**CASH, Ending**

\$ 107,750

**RESTORATION SPECIALTIES FRANCHISE GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

**Company Operations**

Restoration Specialties Franchise Group, LLC (the “Company”), is the master franchisor to license the operation of an “ERS” business. An “ERS” business offers for sale services and related products for the recovery, repair and restoration of electronic equipment and data for both residential and commercial consumers using state-of-the-art fire and disaster recovery technologies. The Company is currently licensed and in good standing in 15 states.

**Revenue Recognition**

Revenue includes an initial franchise fee as well as weekly fees for royalties, marketing and technology. The Company recognizes initial franchise fee revenue when all material services or conditions related to the sale have been substantially performed or satisfied by the franchisor. This treatment is in accordance with Accounting Standards Codification (ASC) 952, *Franchisors Revenue Recognition*. Royalty and marketing fees will be based on weekly sales of franchisees and will be recognized as earned and will commence in 2013.

**Use of Estimates**

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

**Cash and cash equivalents**

The Company considers all liquid investment instruments with a maturity of three months or less to be cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

The Company carries its accounts receivable at net realizable value less an allowance for doubtful accounts. Generally, the Company does not require collateral for its accounts receivable. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts when deemed necessary. Management estimates that no allowance for doubtful accounts is necessary for the period ended December 31, 2012.

**RESTORATION SPECIALTIES FRANCHISE GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Income Taxes**

The Company is organized as a limited liability company (L.L.C.), which is generally not a taxpaying entity for Federal or state income tax purposes. Income from the Company is taxed to the member on his individual income tax returns. The member may take capital withdrawals each year to pay his personal income tax liabilities.

The Company adopted ASC guidance regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. There were no uncertain tax positions at December 31, 2012.

There are no current Federal or state tax examinations. 2012 is the only year that is subject to examination by the IRS and respective states.

**Property and Equipment**

Management capitalizes expenditures for property and equipment. Expenditures for maintenance and repairs are charged to expense. Property and equipment are carried at cost. Adjustments of the assets and the related accumulated depreciation and amortization accounts are made for property and equipment retirements and disposals, with the resulting gain or loss included in the statement of income.

**Depreciation and amortization**

Depreciation and amortization of property and equipment is computed using the straight-line and accelerated methods over the estimated useful lives of the assets at acquisition.

**Advertising**

Advertising costs are expensed as incurred and totaled \$38,042 for the initial period ended December 31, 2012.

**Subsequent Events**

The Company has performed a review of events subsequent to the balance sheet date through March 6, 2013, the date the financial statements were available to be issued.

**RESTORATION SPECIALTIES FRANCHISE GROUP, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 2 – FRANCHISING**

The Company executes franchise agreements that set the terms of its arrangement with each franchisee. The franchise requires the franchisee to pay an initial non-refundable fee and weekly royalty, marketing and technology fees. Direct costs of operations and servicing of franchise agreements are charged to general and administrative expenses as incurred. The Company has franchises in Delaware, the District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maryland, Michigan, North Carolina, Ohio and Pennsylvania.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2012:

Furniture and equipment	\$ 4,505
Computer equipment and software	<u>32,872</u>
	37,377
Less accumulated depreciation and amortization	<u>6,499</u>
	<u><u>\$ 30,878</u></u>

**NOTE 4 – AFFILIATE**

The Company is reimbursed for shared costs from a closely associated affiliate in the restoration business. Reimbursed costs were \$335,100 for the period ending December 31, 2012, \$235,100 of these costs were owed from the affiliate as of December 31, 2012.

The Company shares office space owned by the affiliate. There is no expected reimbursement or allocation of rent.



# **ERS DEPOT, LLC**

## AUDITED FINANCIAL STATEMENTS

For the period from organization (April 11, 2012) to  
December 31, 2012

# ERS DEPOT, LLC

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Balance Sheet	3
Statement of Income and Member Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6

## INDEPENDENT AUDITOR'S REPORT

To the Member  
of ERS Depot, LLC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of ERS Depot, LLC (a State of Michigan LLC), which comprise the balance sheet as of December 31, 2012, and the related statements of income and member equity and cash flows for the period from organization (April 11, 2012) to December 31, 2012, 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.

### **Auditor's Responsibility**

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

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

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

To the Member  
of ERS Depot, LLC  
Page Two

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ERS Depot, LLC as of December 31, 2012, and the results of its operations and its cash flows for the initial period then ended in accordance with accounting principles generally accepted in the United States of America.

*UHY LLP*

Farmington Hills, Michigan  
March 6, 2013

**ERS DEPOT, LLC**  
**BALANCE SHEET**  
**December 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 77,036
Accounts receivable	56,081
Inventory	<u>220,174</u>

Total current assets \$ 353,291

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 209,159
Customer deposits	<u>130,310</u>

Total current liabilities 339,469

**MEMBER EQUITY**

13,822  
\$ 353,291

**ERS DEPOT, LLC**  
**STATEMENT OF INCOME AND MEMBER EQUITY**  
For the period from organization (April 11, 2012) to December 31, 2012

	<u>Amount</u>	<u>Percent of Net Sales</u>
<b>Net sales</b>	\$ 484,986	100.0 %
Costs of sales	<u>470,695</u>	<u>97.0</u>
Gross profit	14,291	3.0
General and administrative expenses	<u>10,469</u>	<u>2.2</u>
<b>Net income</b>	3,822	<u><u>.8 %</u></u>
Member contribution	<u>10,000</u>	
Member equity, ending	<u><u>\$ 13,822</u></u>	

**ERS DEPOT, LLC**  
**STATEMENT OF CASH FLOWS**  
For the period from organization (April 11, 2012) to December 31, 2012

<b>OPERATING ACTIVITIES</b>	
Net income	\$ 3,822
Adjustments to reconcile net income to net cash flows from operating activities:	
Changes in:	
Accounts receivable	(56,081)
Inventory	(220,174)
Accounts payable	209,159
Customer deposits	<u>130,310</u>
Net cash flows provided by operating activities	<u>67,036</u>
<b>FINANCING ACTIVITY</b> - Member contribution	<u>10,000</u>
<b>NET CHANGE IN CASH</b>	<u>77,036</u>
<b>CASH, Ending</b>	<u><u>\$ 77,036</u></u>

**ERS DEPOT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Company Operations**

The Company is engaged in providing equipment and supplies to businesses that recover, repair and restore electronic equipment and data for both residential and commercial consumers. Sales are made to franchisees of Restoration Specialties Franchise Group, LLC, a related entity through common ownership as well as affiliates of the Company in the same business.

**Revenue Recognition**

Revenue for all products is generally recognized as they are shipped. Sales include initial packages for new franchisees and ongoing supplies. Certain supplies are required to be purchased by the franchisees from the Company.

**Use of Estimates**

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

**Cash and cash equivalents**

The Company considers all liquid investment instruments with a maturity of three months or less to be cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

The Company carries its accounts receivable at net realizable value less an allowance for doubtful accounts. Generally, the Company does not require collateral for its accounts receivable. On a periodic basis, the Company evaluates the collectability of its accounts receivable and records a specific allowance when deemed necessary. There was no allowance at December 31, 2012.



**ERS DEPOT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Inventory Valuation**

Inventories are valued at the lower of cost or market with cost determined on a first-in, first-out basis. Maintenance, operating and office supplies are not inventoried, but are charged to expense when purchased.

**Sales Tax**

The Company reports its sales tax on the net basis. Sales are net of any related sales taxes and discounts.

**Income Taxes**

The Company is organized as a limited liability company (LLC), which is generally not a tax paying entity for Federal or State income tax purposes. Income from the Company is taxed to the member on his individual income tax returns. The member may take capital withdrawals each year to pay his personal income tax liabilities.

The Company adopted ASC guidance regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. There were no uncertain tax positions at December 31, 2012.

There are no current Federal or state tax examinations. 2012 is the only year that is subject to examination by the IRS and respective states.

**Advertising**

Advertising costs are charged to expense as incurred and totaled \$779 for the initial period ended December 31, 2012.

**Shipping and Handling**

The Company records the amount of shipping and handling costs billed to customers as sales. The cost incurred for shipping and handling has been included in costs of sales.

**Subsequent Events**

The Company has performed a review of events subsequent to the balance sheet date through March 6, 2013, the date the financial statements were available to be issued.

**ERS DEPOT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 2 – AFFILIATE**

The Company has a working relationship with an affiliated entity. Administrative staff, office space and operations employees of the affiliate are utilized by the Company. There is no expected reimbursement of the shared costs.

The Company made sales to the affiliate of \$56,273 and made purchases of \$227,831 from the affiliate. At December 31, 2012 trade receivables and trade payables included \$56,081 and \$163,964, respectively from this affiliate.

**NOTE 3 – LEASES**

The Company leases its operating facility from an un-related entity on a month-to-month basis. Total rent expense was \$7,500 for the initial period ended December 31, 2012.

**EXHIBIT C**

**Franchise Agreement (including Appendices)**



ERS<sup>®</sup>

FRANCHISE AGREEMENT

BETWEEN

RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

AND

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Name(s) of Franchisee

# FRANCHISE AGREEMENT

## TABLE OF CONTENTS

<u>ARTICLE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	DEFINITIONS.....	67
2	GRANT OF LICENSE .....	69
3	TRADEMARK STANDARDS AND REQUIREMENTS.....	73
4	TERM OF FRANCHISE; FRANCHISEE’S RIGHT TO RENEW .....	75
5	PREMISES STANDARDS .....	76
6	OPERATIONS STANDARDS AND REQUIREMENTS .....	77
7	PERSONNEL AND TRAINING STANDARDS .....	81
8	FEEs, REPORTING AND AUDIT RIGHTS .....	83
9	MARKETING.....	85
10	YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS .....	87
11	TERMINATION.....	90
12	POST-TERM OBLIGATIONS .....	93
13	DISPUTE RESOLUTION.....	94
14	ASSIGNMENT BY FRANCHISEE.....	95
15	ASSIGNMENT BY FRANCHISOR.....	98
16	GENERAL PROVISIONS .....	98
Appendix A	PRIMARY AREA OF RESPONSIBILITY	
Appendix B	TRADEMARKS	
Appendix C	MINIMUM PERFORMANCE STANDARDS AND CUSTOMER SATISFACTION RATINGS	
Appendix D	ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION	
Appendix E	ASSIGNMENT OF TELEPHONE NUMBERS	
Appendix F	ASSIGNMENT OF DOMAIN NAME AND E-MAIL ADDRESS	
Appendix G	OWNERSHIP ADDENDUM	
Appendix H	PROMISSORY NOTE	

Acknowledgement Addendum

## ERS<sup>®</sup> FRANCHISE AGREEMENT

This Franchise Agreement is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between Restoration Specialties Franchise Group, LLC, a Michigan limited liability company with its principal business address at 12001 Levan Road, Livonia, Michigan 48150 (“Franchisor,” “we” or “us”), and \_\_\_\_\_, a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“Franchisee” or “you”).

### RECITALS

A. We and an affiliate, Electronic Restoration Services, Inc. (“ERSI”), have developed a unique system using state-of-the-art fire and disaster recovery technologies that specializes in the recovery, repair and restoration services for electronic equipment and data;

B. ERSI is the owner of the ERS<sup>®</sup> service mark and other trademarks, trade names and commercial symbols used in connection with the System;

C. ERSI has granted us the right to sublicense the right to develop and operate ERS businesses;

D. You wish to obtain the right to use the System and Trademarks in the development and operation of an ERS Business;

E. You have had a full and adequate opportunity to be advised thoroughly of the terms and conditions of this Agreement by legal counsel and other advisors, and have had sufficient opportunity to evaluate and investigate the System, the financial investment requirements, and the business risks associated with owning and operating an ERS Business.

In consideration of the foregoing and the covenants and consideration below, you and we agree as follows:

### ARTICLE 1

#### DEFINITIONS

For purposes of this Agreement, the terms set forth below have the following definitions:

A. “Art Restoration” means restoring artwork and collectibles, including paintings, frames, works on paper, photographs, sculptures, murals, mosaics, decorative arts and other similar collectibles.

B. “Business” means the ERS Franchised Business developed and operated pursuant to this Agreement.

C. “Document Restoration” means restoring and recovering documents damaged by flood or fire, including the restoration and recovery of medical records, z-ray film, electronic media, books, files and other types of documents.

D. “Gross Sales” mean the aggregate of all sales and other income from the Business and any sales or other income resulting from your conduct of any business outside the Business involving the System or the Trademarks. Gross Sales includes all proceeds from any business

interruption insurance, but excludes any and all sales and other taxes that you collect from customers and pay to any governmental authority.

E. “Minority Operator” means any person other than the “Principal Operator” who directly or indirectly owns an interest in Franchisee.

F. “Primary Area of Responsibility” or “PAR” means the geographic area described in Article 2 and Appendix A, within which you conduct the Business.

G. “Principal Operator” means the natural person who (i) directly or indirectly owns greater than a 50% interest in Franchisee when Franchisee is a corporation, limited liability company, partnership, or a similar entity and (ii) has the authority to, and does in fact, actively direct the business affairs in regard to the Business, is responsible for overseeing the general management of the day-to-day operations of the Business and has authority to sign all contracts and commercial documents.

H. “Restoration Services” means the services and related products that you market to customers, and you or we provide to said customers relating to the recovery, repair and restoration of electronic equipment and data using state-of-the-art fire and disaster recovery technologies, all of which we may modify and change from time to time.

I. “System” means the ERS System, which consists of the operation of an ERS Business using distinctive and proprietary products and services under the Trademarks and utilizing certain distinctive types of services, products, procedures and marketing programs, all of which we may modify and change from time to time.

J. “Trademarks” means the ERS® service mark filed with the United States Patent and Trademark Office, and the other trademarks, service marks, and trade names identified on Appendix B, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Business. Trade dress includes the designs, color schemes and images we authorize you to use in the operation of the Business from time to time.

K. In addition to the terms defined in Article 1.A through 1.H above, the following terms are defined in the Agreement in the section(s) indicated below:

Approved Vendors and Supplies	Article 6.B
Assignee	Article 14.A
Computer System	Article 6.E
Confidential Information	Article 6.F
Designated Manager	Article 6.E
Franchised Location	Article 5.A
Initial Franchise Fee	Article 8.A
Manuals	Article 6.C
Marketing Fund Fee	Article 9.A
Marketing Fund	Article 9.A
Minimum Performance Standards	Article 2.F and Appendix C
National Account	Article 2.C
Personal Guarantor	Article 16.F
Products and Services	Article 6.A
Royalty Fee	Article 8.B



ARTICLE 2  
GRANT OF LICENSE

The following provisions control with respect to the license we grant to you:

A. Rights Granted. We grant to you, subject to the terms and conditions of this Agreement, the right and license to engage in and conduct an ERS Business identified by the Trademarks that we authorize for your use in the PAR. You will operate the Business from a specific location inside your PAR to which we must first consent. Except as described further below, you may only market and service customers located inside your PAR.

You accept said license and undertake the obligation to operate the Business faithfully, honestly and diligently, using the System in compliance with our standards and requirements for the System. You may not commence operations of the Business until you successfully complete our training program and we have approved the commencement date of operations.

Except as noted below, during the term of this Agreement, we will not: (i) establish or operate, or license any other party the right to establish or operate an ERS Business from an office or business address located inside your PAR, or (ii) authorize another ERS franchisee or any of our affiliates to directly market to a person located inside your PAR to offer ERS Services. Other ERS franchisees and/or any of our affiliates may indirectly advertise inside your PAR by advertising in national or regional print or such other media not directed primarily at persons inside your PAR, but which may reach or be received by persons in the PAR. You may advertise either as a single franchisee or, if the telephone directory encompassing your PAR includes another franchisee's PAR, we may require that you advertise as a prorated participant in a common group advertisement. You may not advertise outside your PAR, even if the area has not been awarded to another ERS franchisee and is not serviced by one of our affiliates (an "Open PAR"), without our prior written consent. You may not, without our prior written consent, conduct any business outside your PAR.

Additionally, you do not have the right to sell Restoration Services or any other related product or service through any other channel or method of distribution (including catalog sales, telemarketing, the Internet or any other existing or future form of electronic commerce) or to any person or entity for resale or further distribution. You also do not have the right to subfranchise, sublicense, assign or transfer your rights under this Agreement, except for an assignment or transfer as specifically provided in this Agreement.

If a customer located inside your PAR is in need of service outside your PAR, you may provide service to this customer provided: (i) the service will be performed in an Open PAR, and (ii) you receive prior written permission from us. If at any time the Open PAR is awarded to another ERS franchisee or to one of our affiliates, you must transfer all business you conducted inside the Open PAR to the new ERS franchisee or our affiliate.

In the event that you fail to properly perform a service or fail to provide a customer with a warranty in the form we prescribe, you will be given 30 days to cure this default. If you fail to cure this default during the 30-day period we may refer the business to another ERS franchisee

or one of our affiliates to perform the work with no further obligation to you, financial or otherwise, and you agree to fully indemnify us for any non-compliant work you performed.

We will not alter the PAR during the term of this Agreement without your prior written consent.

B. Services Performed. Your Business will offer Restoration Services and related products primarily to residential customers, although you may service light commercial customers. Light commercial customers are described as jobs for commercial customers with Gross Sales less than \$15,000. You may service medium commercial customer (Gross Sales between \$15,001 to \$50,000) only with our prior written approval. The requirements necessary to service medium commercial customers are outlined in the Manuals.

After you have operated your Business for a period of one year, you may apply, and if you meet our then current qualifications, you may offer heavy commercial and/or industrial services; however, you will need to enter into a separate agreement(s) for each additional tier of approval that you receive (currently the tiers are \$50,000; \$250,000; \$500,000, and each successive multiple of \$250,000), pay a fee (not to exceed \$3,500), meet our commercial insurance requirements, and you meet certain financial qualifications. We also may require that you complete additional training. The exact considerations for medium, heavy and industrial customer approval will be in our Manuals and updated annually.

During the term of this Agreement, you may not offer any Art Restoration or Document Restoration services. Instead, such services must be referred to us or our affiliates in accordance with the requirements outlined in Section 2.C below. Additionally, you may not restore medical equipment, or any other equipment that requires third party certification without our prior written permission.

C. National Accounts and Referral Fees. We and our affiliates have the right to create and implement local, regional and national relationships with customers (a “National Account”). For example, we or our affiliates may designate a customer as a National Account based upon: (i) the size of the customer, (ii) size and/or scope of the work to be performed, and/or (iii) number of employees needed to complete the work. We or one of our affiliates will serve as the central contact within the ERS System for all National Accounts to refer business, and we will assign the National Account business relationship for a specific project or portion of a project to an ERS franchisee or one of our affiliates who is able to perform the services within the timeframe required regardless of whether the National Account work will be performed inside or outside your PAR. Accordingly, we, one of our affiliates or a third party we designate (which may be another ERS franchisee) may perform National Account work inside your PAR.

If the National Account work will be performed inside your PAR, we will assign the National Account work to you provided you meet all standards and requirements necessary to complete the work. To receive National Account work, you may be required to meet certain standards and requirements including entering into a separate agreement with the National Account vendor, paying a referral fee, being available for emergency response 24/7, agreeing to give a percentage discount, completing additional training, increasing your insurance, agreeing to the National Account’s procedures, and meeting standards for response time and customer service. Although we do not do so at this time, if we manage the National Account, we reserve the right to charge a fee, not to exceed 1% of Gross Sales, or our actual costs in administering that program, whichever amount is more.

If we assign work for a National Account to you and you perform the work, you will retain all Gross Sales for the work performed and pay us our standard Royalty Fee as outlined in Article 8.B. If, however, the National Account work will be performed inside your PAR but we assign the National Account work to another ERS franchisee, or to ERSI, you will be paid 2% of the Gross Sales for the work performed, less travel, hotel, per diem, referral fees paid to third parties, and other project costs not marked up.

Additionally, if a customer contacts you to perform medium, heavy and/or industrial commercial electronic restoration services and you are not qualified to perform these services and/or a customer requests Art Restoration or Document Restoration, you must refer this work to us or our affiliates. In the event that you are the first to refer such a job to us or our affiliates, the entity receiving the work will be pay you a referral fee as follows:

Referral Fee	Description
10% of Gross Sales collected from the job, less hotel, travel, per diem, referral fees paid to third parties, and other project costs, which will not be marked up	Franchisee is the first to refer a job to us or one of our affiliates and the work is performed inside franchisee's PAR.
5% of Gross Sales collected from the job, less hotel, travel, per diem, referral fees paid to third parties, and other project costs, which will not be marked up	Franchisee is the first to refer a job to us or one of our affiliates, and the work is performed inside another franchisee's PAR or an Open PAR.

In the event that a customer directly contacts us, one of our affiliates, or another ERS franchisee to perform a medium, large or industrial commercial electronic recovery and restoration job which is completed in your PAR; we will pay you a fee of 2% of Gross Sales collected from the job, less hotel, travel, per diem, referral fees paid to third parties, and other project costs, which will not be marked up.

As noted above, at our option, we may choose to send in another ERS franchisee to perform a National Account project if the job is at a level of service that you have not yet been qualified to perform (medium, large or industrial), if that other ERS franchisee has been qualified to perform jobs of that level of service (for example, if you haven't been qualified to do large jobs, but another franchise has been, we could send them in, but if you were qualified, we could not).

In the event that a customer directly contacts us, another ERS franchise or one of our affiliates, and requests services different than those being offered under this Agreement (such as Art Restoration or Document Restoration), and such job is located in your PAR we or our affiliates may perform the work inside your PAR without paying you a referral fee.

The Referral Fee will be paid to you within 30 days of receipt of payment for the job. Referral fees must be recorded in your Computer System (as defined in Section 6.E), but are excluded from Gross Sales for royalty calculation purposes, and do not count towards fulfillment of your minimum gross sales requirements.

In the event of catastrophic loss, which is defined as an area deemed by the government as a state or federal disaster area, or if you so request; then we may send a Commercial Loss Team (“CLT”), which may consist of ERS, its affiliates and other ERS franchisees. In the event that we send a CLT, all referral fees will be paid as outlined above by the parties to whom you referred the job(s).

D. Co-venturing. You may not service a customer if doing so is beyond your current equipment and/or personnel capabilities, or if it would disrupt the normal servicing of your customers without our prior written approval. Co-venturing with other franchisees must be managed through us, and you may not negotiate directly with other ERS franchisees for co-venturing at any time. Co-venturing is defined as any job or project that would require two or more ERS franchisees to complete. We will determine whether to approve a co-venture or require that you refer the job to us or one of our affiliates.

E. Our Reservation of Rights. We retain all rights that are not expressly granted to you under this Agreement. Further, we or our affiliates may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee, and without granting you any rights:

- (vii) establish and operate a franchised or affiliate-owned ERS business whose office or business address is located outside your PAR;
- (viii) establish and operate, and/or license others to establish and operate, within and outside of your PAR, any business providing Restoration Services under marks other than the ERS Trademarks, which business or businesses may solicit and provide services to any customer located inside and outside your PAR;
- (ix) establish and operate, and/or license others to establish and operate, within and outside of your PAR, any business providing services other than Restoration Services (for example Art Restoration or Document Restoration services) under the ERS Trademarks or any other marks, which business or businesses may solicit and provide services to any customer located inside and outside your PAR;
- (x) offer, sell or distribute, within and outside your PAR, any products associated with the ERS System (now or in the future) or identified by the ERS Trademarks, or any other marks, through any distribution channels or methods, including, without limitation, to other recovery, repair and restoration of electronic equipment and data businesses, stores or locations, or any business or store of any kind, or by mail order, catalogue, or the Internet (or any other existing or future form of electronic commerce);
- (xi) merge with, acquire or become associated with any businesses or stores of any kind under other systems and/or other marks, which businesses and stores may convert to or operate under the ERS Trademarks and offer or sell products and services that are the same as, similar to, or different than the products and services

offered at or from your Business, and which may be located anywhere within or outside your PAR; and

- (xii) we reserve the exclusive right to market to all national and regional offices for insurance adjusters, general contractors or re-construction services, contents cleaning companies, third-party administrators, even if such office is located in your PAR. However, we agree to refer all residential and light commercial jobs that are located in your PAR, and which are attained from these solicitations, to you.

F. Minimum Performance Standards. In order to meet our goals for market penetration and for the growth of the ERS System, you agree to be bound by the Minimum Performance Standards as set forth on Appendix C. As further described in Appendix C, the annual Minimum Performance Standards will be established for each year of the term of this Agreement following your first 78 weeks of operation. You understand that meeting the Minimum Performance Standards does not suggest that you are sufficiently penetrating the market in the PAR or that the Business will be successful. Rather, the Minimum Performance Standards are threshold minimum amounts.

If you do not achieve the required Minimum Gross Sales for any period of three or more consecutive weeks after 78 weeks in operation, or any three out of six week period, we may collect a shortfall royalty from you equal to the difference between the royalty fee you should have paid had you achieved the Minimum Gross Sales for those months and the actual royalty fees paid (the “Shortfall Royalty”). In addition, if you fail to achieve the Minimum Gross Sales as specified above, we may also elect to establish another franchisee or affiliate in your PAR and/or allow another franchisee or an affiliate to advertise and service customers located inside your PAR.

Failure to meet the Minimum Performance Standards constitutes a default under this Agreement. If you fail to cure any Minimum Performance Standards default by paying the Shortfall Royalty within 60 days, we may terminate this Agreement as noted in Article 11.A.

G. Customer Satisfaction Ratings. We require you to use and pay for the customer service rating system that we approve, as well as to meet certain customer satisfaction ratings as outlined in Appendix C to this Agreement (the “Customer Satisfaction Ratings”). The Customer Satisfaction Ratings will measure, on a scale of “1” to “10” (where “10” is the best score), the level of service provided to customers of the Business you operate through specific metrics set forth in the Operations Manual. You must achieve an aggregate average customer satisfaction rating of 6.5 or above for each rolling 90-day period as further outlined in Appendix C to the Franchise Agreement.

### ARTICLE 3

#### TRADEMARK STANDARDS AND REQUIREMENTS

You hereby acknowledge and agree that the Trademarks are our affiliate’s property and that your right to use the Trademarks is specifically conditioned upon the following terms and conditions:

A. Trademark Ownership. The Trademarks are the valuable property of our affiliate, ERSI, and it is the exclusive owner of all right, title and interest in and to the Trademarks and all

past, present or future goodwill of the Business conducted within the PAR that is associated with or attributable to the Trademarks. Your use of the Trademarks will inure to our affiliate's and our benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest our rights in any of the Trademarks or the goodwill associated with the Trademarks, including any use of the Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

B. Trademark Use. You may not use, or permit the use of, any trademarks, trade names or service marks in connection with the Business, except those set forth in Appendix B or except as we otherwise direct in writing. You must use the Trademarks only in connection with such products and services as we specify and only in the form and manner we prescribe in writing. You must comply with all trademark, trade name and service mark notice marking requirements. You may use the Trademarks only in association with products and services approved by us and that meet our standards or requirements with respect to quality and production, service standards and methods of operation. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity in the matters described in this Article.

C. Business Identification. You must use the name "ERS®" and/or "Electronic Restoration Services™" as the trade name of the Business and no other mark or words may be used to identify the Business without our prior written consent. You may not use the word ERS or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity. You must hold yourself out to the public as an independent contractor operating the Business pursuant to a license from us.

You must clearly indicate on your business checks, stationery, purchase orders, receipts, and other written materials that you are the owner of the Business and that you are an ERS franchisee. You may use the Trademarks on various materials, such as business cards, stationery, purchase orders and checks, provided you: (i) accurately depict the Trademarks on the materials; (ii) include a statement on the materials, in immediate proximity to the Trademark, indicating that you independently own and operate the Business; and (iii) do not use the Trademarks in connection with any other trademarks, trade names or service marks unless we specifically approve it in writing prior to the use.

You must affix the Trademarks to all vehicles, uniforms, equipment, containers, fixtures, signs, stationery, advertising, sales/promotional materials, and other objects we designate and according to the size, color, lettering style and fashion as we may designate in the Manuals.

D. Litigation. In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks, we will control all litigation and we have the right to decide as to whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware. You must promptly inform us of any claim arising out of your use of any Trademark and must, without compensation, cooperate with us in any action we undertake. We or our affiliate will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which case you must reimburse us for our fees and expenses.

E. Changes. You may not make any changes or substitutions to the Trademarks unless directed by us in writing. We reserve the right to change the Trademarks at any time. Upon receipt of our notice to change the Trademarks (whether in response to third-party claims of superior rights to the Trademarks or otherwise), you must, at your expense, cease using the former Trademarks and commence using the changed Trademarks. We will not be responsible for any other expenses or other amounts you may claim you are owed with respect to the changed Trademarks, and you agree that you will not commence or join in any litigation or other proceeding against us for any such expenses, losses, or damages.

#### ARTICLE 4

##### TERM OF FRANCHISE; FRANCHISEE'S RIGHT TO RENEW

The following provisions control with respect to the term and renewal of this Agreement:

A. Initial Term. The term of the license granted in this Agreement is for a period of 10 years from the date of this Agreement.

B. Renewal Term. You have the right to renew your license for two additional 10 year terms each, provided that you have met the following conditions:

1. you must give written notice to us not less than 9 months prior to the end of the expiring term of your intent to renew the license. You must execute the then-current form of franchise agreement and all other agreements then customarily used by us in the renewal of franchises and pay us a renewal fee equal to 20% of the then-current Initial Franchise Fee. These agreements may vary materially from those agreements currently in use by us. Your failure or refusal to execute such agreements within 30 days after their delivery to you will be deemed an election by you not to renew the license;

2. you are in compliance with all of the terms and conditions of this Agreement and are in compliance with our operating and quality standards and requirements;

3. you have satisfied, prior to renewal, all monetary obligations owed by you to us, our affiliates or your suppliers or creditors, whether pursuant to this Agreement or otherwise;

4. you have agreed, in writing, to make such reasonable expenditures as are necessary so that the Business will conform to our then-current standards;

5. you attend any training program, at your expense, that we deem necessary for you to operate the Business in accordance with our then-current standards;

6. you have continuously and actively operated the Business, which includes meeting the Minimum Performance Standards in Article 2.F and the Customer Satisfaction Ratings in Article 2.G; and

7. you, your Principal Operator, Minority Operators and your Personal Guarantors sign a general release of claims in a form we prescribe.

## ARTICLE 5

### PREMISES STANDARDS

You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of ERS<sup>®</sup> businesses to protect the distinction, goodwill and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

A. Franchised Location; Lease. You are responsible for purchasing or leasing a site for the Business (“Franchised Location”) that meets our site selection criteria. You must obtain our written acceptance of the Franchised Location. You may not use the Franchised Location or its premises for any purpose other than the operation of an ERS<sup>®</sup> Business during the term of this Agreement. We make no guarantees concerning the success of the Business located on any site that we accept. You are solely responsible for obtaining all necessary permits or licenses, and in all other respects complying with applicable legal requirements relating to the Business.

We have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate and enter into the lease for the Franchised Location.

You must execute, and provide us an executed copy of your lease or the purchase agreement for the selected and approved site for your Franchised Location within 5 days of the lease execution date and within 60 days from the date of execution of this Agreement. If you fail to have your “site under control” (execute the lease or the purchase agreement within the periods set forth in this subparagraph), we will have the right to terminate this Agreement without opportunity to cure pursuant to Article 11.A.

B. Construction; Opening Date. You must construct and equip the Franchised Location in strict accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, supplies, and design and layout of the space. You must open for Business to the public no later than six months following the Effective Date.

C. Relocation. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within your PAR provided that (i) we have issued our written acceptance of the new site; and (iii) the Business is open for business at the new Franchised Location within 150 days following your request to relocate, all in accordance with our then-current standards. If you voluntarily decide to relocate the Business to a new Franchised Location, your right to relocate the Business will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to relocate not less than 60 days prior to closing the Business, have procured a site that has been accepted by us within 60 days after closing the prior Business, have opened the Business at the new Franchised Location within 150 days of such closure and complied with any other conditions that we reasonably require. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur.

You do not have the right to relocate in the event you lose the right to occupy the Franchised Location premises because of the cancellation of your lease due to your breach. The termination or cancellation of your lease due to your breach is grounds for immediate termination under Article 11.A.



D. Business Telephone Line; Answering Service; Fax. You must acquire and maintain from the supplier we designate a dedicated business telephone number, which is only available to you while you operate the Business. You may not advertise or otherwise give out any other telephone number to customers or potential customers. You must comply with our standards and requirements as outlined in the Manuals relating to your Business telephone. You also must have the capability to send and receive faxes. Upon the termination or expiration of this Agreement, you must authorize the transfer of any Business telephone numbers, including cellular numbers and directory listing to us.

You may be required to pay for, and use, an approved call center to answer incoming sales calls. We may at any time, with 30 days prior notice to you, designate another method, vendor or manner for answering sales calls.

You must continually list the Business in the “Yellow Pages” and "White Pages" of the primary telephone directory servicing your PAR.

## ARTICLE 6

### OPERATIONS STANDARDS AND REQUIREMENTS

You acknowledge and agree that we have established and may revise, from time to time, quality standards regarding the operations of ERS businesses so as to protect the distinction, goodwill and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and requirements for the System and agree to the following terms and conditions:

A. Products and Services. You may market and sell to customers only the Restoration Services that we have approved in writing in the Manuals or otherwise (collectively, “Products and Services”). These Products and Services must meet the standards and specifications prescribed by us, which we may modify from time to time. You must conform to all quality and customer service standards we prescribe in writing.

B. Vendors and Supplies. Unless we otherwise specify in writing, you must use approved vendors and supplies for all services, products, equipment and materials that we determine meet our standards and specifications of quality required to protect the valuable goodwill and uniformity symbolized by and associated with the Trademarks and Business (“Approved Vendors and Supplies”). Approved Vendors are companies that are approved for a specific service or product they provide. You must comply with all billing and service provision policies of Approved Vendors, including any billing, invoicing or refund policies. You acknowledge that we may designate a single vendor or source of supply, and that we or an affiliate may be that vendor/source, as further noted in 16.M. You will pay the then-current price in effect for products and services that you are required to purchase from us or a designated vendor, and the cost to you for these products and services may be higher than comparable products and services on the market. Approved Supplies are the service or product that is approved. You may obtain that Approved Supply from any available source. Upon request, we will provide and update you with a written list of the Approved Vendors and Supplies. **ALTHOUGH APPROVED BY US, WE MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, SERVICES, EQUIPMENT,**

SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED PRODUCTS. WE, HOWEVER, WILL PASS THROUGH ANY APPLICABLE MANUFACTURER WARRANTIES ON PRODUCTS AND SERVICES THAT YOU PURCHASE FROM US, SUBJECT TO ALL WARRANTY TERMS AND CONDITIONS IMPOSED BY THE MANUFACTURER.

WHILE WE CURRENTLY DO NOT DO SO, IN THE EVENT WE PROVIDE YOU WITH ANY TECHNOLOGY PRODUCTS AND/OR SERVICES IN THE FUTURE, WE DO NOT WARRANT THAT SUCH PRODUCTS AND/OR SERVICES WILL BE UNINTERRUPTED OR ERROR FREE.

IN NO EVENT WILL WE BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES (INCLUDING, WITHOUT LIMITATION ANY DAMAGES ASSOCIATED WITH LOSS OF USE, INTERRUPTION OF BUSINESS, LOSS OF DATA OR LOSS OF PROFITS) ARISING OUT OF OR IN ANY WAY RELATED TO ANY TECHNOLOGY PRODUCTS AND/OR SERVICES WE PROVIDE OR ANY PRODUCTS AND/OR SERVICES YOU OBTAIN FROM ONE OF OUR APPROVED SUPPLIERS.

C. Operations Manual. To help protect our reputation and goodwill and to maintain uniform operating standards under the Trademarks and Business, you must conduct the Business in accordance with the required standards and procedures contained in our operations manual and any other manuals, proprietary software or computer data files created for use in the operation of an ERS Business (collectively the “Manuals”). Any required standards exist to protect our interest in the System and the Trademarks and not for the purpose of establishing any control, or the duty to take control, over those matters that clearly are reserved to you.

You acknowledge having received one copy of the Manuals on loan from us for the term of this Agreement. You must at all times treat and maintain the Manuals and the information contained therein and any other proprietary information created for or approved for use in the operation of the Business as secret and confidential. The Manuals will at all times remain our sole property. We may from time to time revise the contents of the Manuals and you expressly agree to comply with each new or changed standard. You must at all times insure that your copy of the Manuals is kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals we maintain will be controlling. You acknowledge and agree that in the future the Manuals and other system communications may only be available on the Internet, our intranet system or other online or computer data transfer communications, as described in Article 6.M.

D. Operating Procedures. The Manuals contain both requirements and recommendations for the operation of a Business. You must adopt and use the required standards, procedures, techniques, software and systems described in the Manuals. We will revise the Manuals and their standards, procedures, techniques, software and systems periodically to meet changing conditions of operation in the best interest of all businesses operating under the Trademarks.

E. Computer System. We require you to use a computer in the operation of the Business. You must use any computer system that we develop or select for the Business, including all future updates, supplements and modifications (the “Computer System”). The computer software package developed for use in the Business may include proprietary software.

You may be required to license other forms of proprietary software from us, an affiliate or a third party and you also may be required to pay a software licensing fee in connection with your use of the proprietary software. All right, title and interest in the software will remain with the licensor of the software. The computer hardware component of the Computer System must conform to specifications we develop. You acknowledge and agree that we will have full and complete access to information and data produced by the Computer System. You will be required to use and pay for all future updates, supplements and modifications to the Computer System. You agree to pay for any reasonable telephone computer support that we may choose to provide at our then-current charges, as set forth in the Manuals and updated from time to time.

F. Confidential Information. You, your Principal Operator, your Minority Operators, any person you hire to perform management obligations related to the Business (“Designated Manager”), and your Personal Guarantors (as described in Article 16.F) must not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it to operate the Business. For purposes of this Agreement, “Confidential Information” means proprietary information, knowledge and know-how, including processes, materials, software, computer data files, methods, procedures, suggested pricing, specifications, techniques and other data concerning the methods of operation of an ERS business. Any and all Confidential Information must not be used for any purpose other than conducting the Business in the PAR. You must obtain nondisclosure and confidentiality agreements in a form satisfactory to us from your Principal Operator, Minority Operators, and from other key employees. You must provide copies of the executed agreements to us upon request.

G. Customer Information. We own all data and information related to customers of the Business, including, without limitation, all customer lists. If we request, you must provide us with an up-to-date customer list in the form we prescribe. You acknowledge that we may require you to submit this information through our Internet system or other online communications. We have the right to contact the customers to ascertain your quality of service and the level of customer satisfaction. You may not use the customer lists or information for any purpose whatsoever other than in the normal conduct of the Business. Upon expiration, nonrenewal, transfer or termination of this Agreement, you must promptly deliver to us all customer lists, data and information for all past and current customers of the Business.

H. Evaluations. We or our authorized representative have the right to enter the Business premises at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain whether you are observing the provisions of this Agreement, to inspect and evaluate your premises used for the Business, to observe and accompany you on sales and customer service calls and visits, and to inspect and evaluate any customer correspondence and any products and services provided to customers. Upon our request, you must provide us copies of any proposals you present to customers for our review and evaluation.

I. Adaptations. Complete and detailed uniformity under many varying conditions may not always be possible or practical, and we reserve the right to vary the standards for any franchisee based upon the customs or circumstances of a particular area of primary responsibility, geographic location, density of population, number of businesses, existing business practices, or any condition that we deem to be of importance to the operation of the franchisee’s Business. You will not be entitled to require us to grant to you a like or other variation hereunder on account of any variation from standards, specifications and practices granted to any other franchisee. You

acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement as may be necessary to adapt our System to changing conditions and competitive circumstances, business strategies, business practices, technological innovation and any other changes as we deem appropriate. You must comply with these modifications, additions or rescissions at your expense.

J. Continuous Operation of Business. You must operate the Business on a full-time basis. You acknowledge and agree that if the Business is closed or otherwise not operated for a period of 5 consecutive days or more without our prior written consent, the closure or failure to operate will constitute your voluntary abandonment of the franchise, and we have the right, in addition to other remedies provided for herein, to terminate this Agreement and the franchise operated hereunder. Acts of God, war, strikes or riots preventing you temporarily from complying with the foregoing will suspend compliance therewith for the duration of the interference.

K. Compliance with Law. You must at all times conduct the Business in compliance with all applicable laws, regulations, codes and ordinances. You acknowledge that you are an independent business and are solely responsible for control and management of the Business, including such matters as hiring and discharging your employees. You acknowledge that we have no power, responsibility or liability in respect to employee relations issues including hiring, discharge and discipline, and related matters. You must promptly notify us of any claim or litigation in which you are involved that arises from the operation of the Business.

L. Participation in an Internet Web Site or Other Online Communications. You must participate in our Web site and no other Web site related to the Business. We also may require you, at your expense, to participate in our intranet system. We have the right to determine the content and use of any Web site and our intranet system and will establish the rules under which franchisees may participate. You may not separately register any domain name or operate any Web site containing any of the Trademarks without our written approval. You may not conduct any business or advertise any products or services on the Internet (including, through social media), except as authorized by us in writing. You may not link or frame our website. We will retain all rights relating to our Web site and our intranet system and may alter or terminate our Web site or our intranet system without prior notice to you. Your general conduct on our Web site, our intranet system or on other online communications (including all current and future forms of social media networks and platforms) and, specifically, your use of the Trademarks or any advertising on any Web site or other such online communications is subject to the provisions of this Agreement and the policies outlined in the Manuals. For example, you must comply with our policies regarding the use and placement of key words, meta tags and titles, social media platforms, blogs, websites, domain names, URL's and linking. You further agree to claim, pay for and update all online listings we designate. You may not use or download any software on your computer unless it has been authorized by us in writing. In the event that you use or download any unauthorized software, you will be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge that certain information obtained through your participation in our Web site and our intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our Web site and our intranet system or otherwise use the Trademarks or System on the Internet or other online communications will terminate when this Agreement expires or terminates.

M. Suggested Pricing Policies. We may, from time to time, make suggestions to you with regard to your pricing policies. Notwithstanding any suggestions, you have the sole and exclusive right as to the fees you charge to customers, except for National Accounts for which we establish fees. We do, however, retain the right to modify the System on 60 days' written notice to give us the right to establish customer fees, both maximum and minimum in accordance with applicable legal requirements. Any list or schedule of fees we furnish to you may, unless otherwise specifically stated as to the maximum or minimum price, be treated as a recommendation only and failure to accept or implement any such suggestion will not in any way affect the relationship between you and us.

N. Innovations. You agree to fully and promptly disclose to us all ideas, plans, improvements, concepts, methods and techniques relating to the development, marketing or operation of the Business or any similar business conceived or developed by Franchisee, your employees, independent contractors or other persons or entities acting on your behalf ("Innovations"). We and our affiliates own and have the right to authorize other franchisees to use any Innovations without any compensation to you. Nothing in this Article modifies your obligation to comply with System standards and the Manuals.

O. Legal Entity. If you are not a legal entity at the time you sign this Agreement, you must form a legal entity and transfer this Agreement and the Business to a legal entity owned by you prior to attending our initial training program. At such time that you form the legal entity and upon any subsequent changes, you must submit to us, in the format that we require, the names of all owners of the legal entity and their percentage of ownership in the legal entity. In the case of multiple owners, prior to attending our initial training program you must provide us with a copy of the dispute resolution agreement by and among the multiple owners.

You (or the legal entity) may not operate any other business other than the Business without our prior written permission.

P. Vehicles. You must purchase or lease vehicles that meet our specifications and requirements, including model type, condition, color, trademark representation, and appearance (no rust or body damage). These specifications are included in our Manuals.

## ARTICLE 7

### PERSONNEL AND TRAINING STANDARDS

The following provisions and conditions control with respect to personnel, training and supervision.

A. Supervision of the Business. The Business must at all times be under the direct supervision of the Principal Operator. This means that the Principal Operator must operate the business year round on a full-time and best-efforts basis. If, at any time during the term, the Business is not under the direct supervision of the Principal Operator, it must be operated by a fully trained Designated Manager who has been approved by us. In the event that it is not operated under the direct supervision of the Principal Operator or the Designated Manager, or if the operation of your Business breaches this Agreement such that the integrity of the Trademarks would be compromised, we have the right (but not the obligation) to service all customer accounts of the Business on a temporary basis until you appoint a new Principal Operator/fully-trained

manager and/or cure the operational default (as the case may be). If it is not cured within 30 days, we can terminate this Agreement.

B. Training. Prior to commencement of the Business, and within four months of the Effective Date of this Agreement you, the Principal Operator and any Designated Manager (if applicable) must attend and successfully complete our ERS training program at our headquarters or any other location that we may designate. We provide initial training for up to 3 people without charging you a fee. If you want to send more than 3 people to initial training we will charge you our then-current additional training fee. You are responsible for all room, board and travel expenses during training. You understand that, except for the confidentiality and non-disclosure restrictions in Articles 6.C, 6.F and 12 (with which you will be bound as of the date you sign this Agreement and must adhere to even if you fail to successfully complete training), this Agreement will not become effective unless you successfully complete the ERS training program.

C. Ongoing Training and Assistance. We may provide and require you, your Principal Operator and your Designated Manager to attend or participate in ongoing training programs, including offsite and onsite training, conference calls, and Internet programs. We may charge you a fee to attend any additional training. You are required to attend at least one ongoing training every two years. You are responsible for all room, board, travel expenses and any applicable wages for your employees during any offsite ongoing training. We also may assist you periodically with creating or refining your business plan for the Business, as described more fully in the Manuals.

D. Staffing. You must hire and supervise efficient, competent, and courteous persons as your employees for the operation of the Business and set and pay their wages, commissions and incentives with no liability on us. No employee of yours will be deemed to be an employee of us for any purpose whatsoever. You may elect, or we may require from time to time, your employees to attend training programs, at your expense. You must comply with all staffing and operational requirements outlined in the Manuals.

E. Attendance at Meetings. You, your Principal Operator and your Designated Manager must, at your expense, attend all conferences, seminars or meetings that we sponsor for ERS franchisees to set forth new methods and programs for operation, training, management, sales or marketing. If you are unable to attend any such meeting, you must notify us prior to the meeting and attempt to have a substitute person from the Business, acceptable to us, attend and represent you at such meeting. Failure to attend any required meetings will result in a fee of \$1,000 owed to us. You must attend at least one ERS meeting per year. Failure to do so may result in termination of this Agreement.

F. Dress Code. You and your employees must adhere to the ERS dress code, and utilize the ERS uniform when interacting with customers or potential customers.

## ARTICLE 8

### FEES, REPORTING AND AUDIT RIGHTS

You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. You must pay to us an Initial Franchise Fee of \$49,900 upon execution of this Agreement. The Initial Franchise Fee is earned by us upon receipt and is non-refundable.

B. Royalty Fee. In addition to the Initial Franchise Fee, during the full term of this Agreement and in consideration of the rights granted to you, you must pay to us a weekly Royalty Fee equal to 7% of Gross Sales of the Business, which includes all fees you generate from Restoration Services performed by the Business.

Each calendar year, we will calculate the Royalty Fees that you paid to us during the previous year and, if you meet our qualifications, pay you a rebate up to 10% of the Royalty Fees you paid to us during the previous year (the "Royalty Rebate"). The qualifications for the Royalty Rebate may vary by year and will be noted in the Manuals. In the event of a sale or transfer of your Business, any accrued Royalty Rebate passes to the buyer or transferee, to be paid upon the same conditions as outlined in the Manuals.

C. Turn-Key Business Package. When you sign this Agreement you must pay our affiliate, ERS Depot, Inc., \$65,000 for the Turn-Key Business package. The Turn-Key Business Package contains various products and equipment necessary for you to commence business operations, including: (i) equipment necessary to perform Restoration Services; (ii) computer equipment and software; (iii) initial inventory; (iv) office equipment and supplies; (v) vehicle decals; (vi) tools and equipment; (v) marketing supplies; and (vi) uniforms, all of which we may periodically change. The materials that are included in our Initial Package may be shipped F.O.B. from our approved suppliers. The costs you incur for the Turn-Key Business Package are non-refundable.

D. Technology Fee. You must pay the then current weekly technology fee. The fee will cover items such as lease of our proprietary software, listing on the website, and other technology that we deem necessary for the benefit of the System. Currently the fee is \$50 per week. We reserve the right to charge more for multiple users or additional services.

E. Computations and Remittances; Application of Payments. Except for the Initial Franchise Fee, you must compute all amounts due and owing at the end of each week's operation. The royalty week runs Sunday to Saturday, and the royalty report must be updated and submitted in the manner we require by Tuesday of each week, and monies must be available for debiting on Wednesday for the preceding week of collected Gross Sales. We reserve the right to change the reporting day of the week for any or all amounts.

You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require verifying the accuracy of remittances. You waive any and all existing and future claims and offsets against any amounts due under this Agreement, which amounts you must pay when due. We have the right to apply or cause to be applied against amounts due to us or any of our affiliates any amounts that we or our affiliates may hold from time to time on your behalf or that we or our affiliates owe to you.

F. Electronic Transfer of Funds. You must sign an electronic transfer of funds authorization, attached as Appendix D, to authorize and direct your bank or financial institution to transfer electronically, on a weekly basis, directly to our account or our affiliates' and to charge to your account all amounts due to us or our affiliates. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this subparagraph.

G. Interest Charges; Late Fees. Any and all amounts that you owe to us or to our affiliates will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late Royalty Fee and Marketing Fund Fee payments, you must pay to us a late fee of \$25 for each delinquent report or payment that you owe to us under this Agreement. If a payment is returned to us because there are insufficient funds in your bank ("NSF") account, then for each returned payment, we may collect an additional payment equal to the greater of (i) \$37 or (ii) the amount we are charged by the bank plus a \$5 administrative fee. The late fee and NSF fees are not interest or a penalty, it is only to compensate us for increased administrative and management costs due to the late payment or NSF.

H. Financial Planning and Management. You must record the sale of all Restoration Services in the manner and timeframe we specify. You must use, and pay for the accounting system that we specify, which we may be able to access without limitation. You also must keep books and records and submit reports as we periodically require and on the forms and in accordance with the methods we require, all of which accurately reflect the operations and condition of the Business operations. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You also must preserve and retain the books, records and reports for not less than 60 months. You must allow us electronic and manual access to any and all records relating to the Business.

I. Required Reports. You must submit to us all reports with respect to the preceding month by the dates and in the form and content as we periodically prescribe. The reports we may require include, but are not limited to, the following information for the preceding month: (i) amount of Gross Sales and gross receipts of the Business, amount of sales tax and the computation of the Royalty Fee and the Marketing Fund Fee; (ii) if we request, copies of your most recent Federal, state, or other income tax returns, details and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent and other material cost items; and (iii) if requested by us to verify your Gross Sales, all such books and records as we may require under our audit policies published from time to time. You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year, prepared on an accrual basis including all adjustments necessary for fair presentation of the financial statements, including a supplemental schedule of revenue and expenses prepared in the format we may periodically prescribe. We may require that the annual financial statements be reviewed or audited by a certified public accountant. You must certify all reports to be true and correct. Prior to opening, and by November 15<sup>th</sup> of each year, you must submit to us a business plan, your yearly financial projections, and your marketing plan in the manner specified by us. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other franchisees.



J. Our Audit Rights. We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Business are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of your Gross Sales, or that you serviced in another ERS Franchisee or ERS Affiliates territory, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 2 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you understate or underreport Gross Sales at any time, or if a subsequent audit or evaluation conducted within the 2-year period reveals any understatement of your Gross Sales of 2% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately.

We will keep your financial books, records and reports confidential, unless the information is requested by tax authorities or used as part of a legal proceeding, for the purposes of Articles 12.B and 14.E, or where your information is grouped with similar information from other businesses to produce shared results like high-low ranges or average gross sales or expenses on a system-wide or regional basis.

K. Tax Payments. You will pay all state and local taxes, including, without limitation, taxes denominated as income or franchise taxes, that may be imposed on us as a result of our receipt or accrual of any fees or payments due from you to us (or our affiliates) under the Franchise Agreement, whether assessed against you through withholding or other means or whether paid by us directly. In either case, you will pay to us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required.

L. Lien and Security Interest Grant. By signing this Agreement, you grant to us a lien and security interest in and against any and all personal property, equipment, and fixtures owned by you and used in connection with the Business as security for the payment of the obligations outlined in this Agreement.

## ARTICLE 9

### MARKETING

You agree to actively promote the Business, to abide by all of our marketing requirements and to comply with the following provisions:

A. Marketing Fund Fee. You must pay to us a weekly Marketing Fund Fee in an amount equal to 2% of your Gross Sales, in the manner described in Articles 8.C and 8.D. . All Marketing Fund Fees will be placed in a Marketing Fund. We will manage the Marketing Fund. Excess Marketing Fund contributions not spent in any fiscal year will be carried over for future use. We may use the Marketing Fund to formulate, develop, research and conduct marketing,

promotional, public relations, customer satisfaction and/or lead generation programs to promote the System and services in a form and media we determine in our sole judgment to be appropriate, including coverage that is local, regional or national in scope.

An unaudited annual income and expense statement for the Marketing Fund will be available by request by April 15<sup>th</sup> of each year for the previous calendar year. You acknowledge and agree that: (i) we have the absolute and exclusive right to determine expenditures of funds collected and as to the selection of any programs for which said expenditures are made; (ii) the Marketing Fund is not a trust or escrow account and we have no fiduciary obligation to ERS franchisees with respect to the marketing programs or expenditures of funds; and (iii) we may compensate ourselves for the expense of administering and promoting such marketing programs. We may make reasonable disbursements from the Marketing Fund for the payment of expenses incurred in connection with the general promotion of the Trademarks and System including the cost of formulating, developing and implementing customer lead generation programs and/or market studies, and the reasonable costs of administering these programs, including accounting expenses and the actual cost of salaries and fringe benefits paid to our employees or designees engaged in administration of the programs. We have the absolute and exclusive right to determine the contents, terms and conditions of the market development programs. You have no property rights of any kind with respect to the monies in the Marketing Fund.

We may use national and regional agencies from time to time to create and place advertising and marketing communications, public relations campaigns and/or develop and administer lead generation studies or programs.

The Marketing Fund will not be used for advertising principally directed at the sale of franchises; however, we may state on any advertisements that “franchises are available,” and to “contact us for information regarding this opportunity.”

B. Local Marketing. We highly recommend that you invest 3-5% of your Gross Sales on local advertising. After one year in business, you must hire an employee whose primary responsibility is to market for the Business. With our prior written permission, you may serve in this capacity, but then you would be required to hire a Designated Manager to manage the operational aspects of the Business.

You must join and participate in the claims and insurance associations that we designate as being pertinent to your market. You must claim, and pay for, the online listings that we designate. You also must list your Business in the Yellow Pages and White Pages of the primary telephone directory servicing your PAR.

C. Approved Marketing Materials. You must use only such marketing materials as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. Any additional local marketing materials that you wish to utilize must be submitted to us for our prior written approval (including print, electronic or other forms of media). We will not unreasonably withhold approval of your marketing materials if they are factually accurate and current, dignified and in good condition and accurately reflect the Trademarks. Any local advertising materials you submit to us will be deemed approved if we do not disapprove or comment on the materials within 10 business days of receipt of the materials. We reserve the right to revoke the approval of any advertising material previously approved with 30 days written notice to you.

Any public figures you choose to use in connection with local promotions must be approved by us, in the same manner as specified in the above paragraph.

D. Cooperative Advertising. We have the right to establish and maintain local advertising cooperatives based on designated marketing areas. If a local or regional advertising cooperative is formed or organized in your market, you will be required to participate and contribute. The contribution amount designated by the cooperative must be on a percentage of Gross Sales basis and per ERS Business, and must be the greater of 1% of Gross Sales or \$5,000 per year (the “Coop Contribution”). Each ERS business within an advertising cooperative, including ERS businesses owned by us or our affiliates, will be a member of the cooperative and have one vote per business. Each advertising cooperative will be required to adopt governing bylaws that meet our approval and that we may require the cooperative to amend from time to time. We may provide each advertising cooperative with a sample form of bylaws that the cooperative must use and we must approve, containing certain terms and conditions that we require, although the bylaws cannot modify the voting structure set forth in this paragraph without our prior written permission. The advertising cooperatives must submit to us its meeting minutes upon our request. All advertising cooperatives must obtain our written approval of all promotional and advertising materials, creative execution and media schedules prior to their implementation. The members of each cooperative and their elected officers will be responsible for the administration of the advertising cooperative. We reserve the right to administer the cooperatives’ funds and require payment from its members via electronic funds transfer. If we determine the need exists, we may require each advertising cooperative to engage the services of a professional media buyer or advertising agency that meets with our approval and has expertise in the industry and in the particular market. We may require each cooperative to have an independent certified public accountant prepare annual financial statements, which will be available to us and to all franchisee members of the cooperative. We have the right to require advertising cooperatives to be formed, changed, dissolved or merged. We may also implement a franchisee advisory council that will provide advisory input on marketing and related matters.

## ARTICLE 10

### YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS

You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to us, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with the Business or Products or Services used in connection with the Business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of said property; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Business. In the event you should default in making any payment, we will be authorized, but not required, to pay the same on your behalf and you covenant promptly to reimburse us on demand for any such payment.

B. Indemnification. You hereby waive all claims against us (and any affiliates, officers, directors, agents and employees) for damages to property, death, or injuries to persons arising directly or indirectly out of the management or operation of the Business. You must indemnify and hold us (and any affiliates, officers, directors, agents and employees) harmless from

and against any and all claims, demands and liabilities of any nature whatsoever arising in any manner, directly or indirectly, from or in connection with the operation, use, or occupancy of the Business or premises or any breach by you or your failure to comply with the terms and conditions of this Agreement, including attorneys' fees and costs (regardless of cause or any concurrent or contributing fault or negligence of any party). As to third party claims related to Restoration Services that we provide to customers of your Business, we will indemnify and hold you harmless from and against any and all claims, demands and liabilities from third parties regarding work performed of any nature whatsoever arising in any manner, directly or indirectly, from such Restoration Services performed by us.

C. Insurance. You agree to purchase the types and amounts of insurance coverage described below (as we may change or supplement, in our sole business judgment, as specified by the Manuals or otherwise by us in writing):

1. Commercial General Liability and Contractor's Pollution Liability Insurance. Coverage for "bodily injury," "property damage," and "personal and advertising injury" with no exclusion or limitation applying to the products / completed operations liability coverage. Limits must be at least \$2,000,000 general aggregate, \$2,000,000 products and completed operations aggregate, \$1,000,000 personal and advertising injury limit and \$1,000,000 per occurrence limit; and must specifically confirm coverage for pollution, mold and lead, with minimum limits of \$1,000,000 each incident, with \$1,000,000 aggregate. Contractual liability coverage including the assumed personal injury endorsement must be included to cover the indemnity provisions of this Agreement. The exclusion for employer's liability shall not apply to claims for covered contractually assumed liability claims. Such policy shall contain a waiver of subrogation endorsement as to claims against us.

We shall be named as an additional insured on this policy on a primary and noncontributory basis, and with a Grantor of Franchise Form CG2029 or an insurer's comparable form.

2. Automobile Liability Insurance. You shall maintain insurance with a combined single limit ("CSL") of \$1,000,000 for bodily injury and property damage for all owned or leased vehicles and include a hired and non-owned endorsement. Additionally, uninsured motorist and under-insured motorist coverage will be equal to the CSL.

3. Workers' Compensation and Employers' Liability. Statutorily required workers' compensation insurance and employer's liability insurance shall be maintained with limits of at least \$500,000 by accident, \$500,000 by disease and \$500,000 policy limit. In "Monopolistic States" including Ohio, North Dakota, Washington, Wyoming and West Virginia "Stop Gap" coverage must be purchased separately or added to the commercial general liability policy. "Stop Gap" in Ohio must not contain exclusion with the "substantially certain to occur" language.

4. Employee Dishonesty Insurance. You shall maintain employee dishonesty insurance with minimum limits of \$50,000 per loss and such coverage shall also cover acts of stealing against third parties. This coverage shall increase by \$50,000 for each \$4,000,000 in annual Gross Sales achieved up to \$250,000 per loss (for example, at \$4,000,000 in Gross Sales, your bond would need to increase to \$100,000 at \$8,000,000 to \$150,000, etc).

5. Umbrella or Excess Liability Insurance. You shall maintain a commercial umbrella liability insurance policy with minimum limits of \$1,000,000 per occurrence and aggregate and shall list the commercial general liability, pollution liability and automobile liability as scheduled underlying policies. This policy will need to increase by \$1,000,000 per occurrence and aggregate for each \$4,000,000 in Gross Sales achieved up to \$10,000,000 per occurrence and aggregate (for example, at \$4,000,000 in Gross Sales, you would need to increase this to \$2,000,000, at \$8,000,000 to \$3,000,000, etc).

6. Property Coverage: You shall maintain insurance on your personal business property and place of business, at amounts equivalent to replacement value. Your property coverage must include Bailees Legal Liability Insurance, which must have minimum limits equal to the value of goods in storage at any one time, or \$100,000, whichever amount is higher. It will also need to cover at least \$50,000 per incident for goods in transit. We also recommend (but don't require) that the coverage include business income and expense coverage for twelve months.

7. Other Insurance. You shall comply with any state, county, local, or other municipal insurance requirements.

All insurance policies must be underwritten by a company with an A.M. Best rating of "A-" or better. No deductible or self-insured retention can exceed \$5,000 for any required insurance policy, except that you may have retention of up to \$10,000 on the Umbrella Liability Insurance policy. You may not reduce the policy limits, restrict coverage, cancel, or otherwise alter or amend any insurance policy without our written consent.

All policies will name us as an additional insured and any other entity we designate (the "Indemnified Parties"), will contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the Indemnified Parties, will extend to and provide indemnity for all obligations assumed by you and all items for which you are required to indemnify us, will be primary to and without right of contribution from any other insurance purchased by the Indemnified Parties, and will provide, by endorsement, that we receive at least 10 days notice of any intent to cancel or materially alter any policy. Whenever a change is made to your policy, and before expiration of any insurance coverage, you must submit to us a copy or certificate or other acceptable proof of such insurance with a copy of the Additional Insured Endorsement on your policy. On occasion, we may request complete copies of all insurance policies to insure compliance with the insurance provisions of this contract.

Periodically we may modify the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant circumstances. You will receive at least 90 days written notice of change.

D. Non-competition Covenants. You agree that you will receive valuable training and Confidential Information that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following noncompetition covenants:

1. Unless otherwise specified, the term "you" as used in this Article 10.D, 10.E. and 10.F., includes, collectively and individually, you, all Principal Operators, Minority Operators, your Designated Manager (if any), guarantors, officers, directors,

members, managers, partners, as the case may be, and holders of any ownership interest in you. We may require you to obtain from your Designated Manager and other individuals identified in the preceding sentence a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this Article 10.D.

2. You covenant that during the term of this Agreement, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Activity other than as authorized by this Agreement or any other agreement between us and you. For purposes of this Agreement, “Competitive Activity” means any other business selling products and services similar to the Products and Services sold by an ERS Business.

3. You covenant that you will not, for a period of 2 years after the expiration or termination of this Agreement, regardless of the cause of termination, or within 2 years of the sale of the Business or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in a business engaging in a Competitive Activity within: (i) the PAR; (ii) a 40-mile radius outside the PAR; or (iii) within the primary area of responsibility of another ERS franchisee.

4. You expressly agree that the 2-year period and geographical restrictions are the reasonable and necessary time and geographic scope needed to protect us, our franchisees and the ERS System if the Agreement expires or is terminated. You also agree that the length of time in subpart (3) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

E. Non-Solicitation. As further outlined in Article 6.G we own all data and information related to customers and potential customers of the Business, including, without limitation, all customer lists. In the event of the expiration, nonrenewal, transfer or termination of this Agreement, you agree that you will not use, disclose or retain, in any form any customer lists or other customer information.

You agree that you will neither (i) solicit, induce or attempt to influence any former, current or potential customers, clients, business associates, affiliates, suppliers, vendors, contractors, entities, or persons who refer business to you, us or another ERS franchisee, for any business purpose or in attempts to encourage them to cease doing business with you, us or another ERS franchisee; or (ii) solicit, induce or attempt to influence any current or prospective employee, contractor or agent of you, us or another ERS franchisee to terminate or not accept a relationship with us or the respective ERS franchisee.

F. Spouses and Immediate Family Members. It shall be deemed a breach of this Agreement if your spouse, parent, sibling or children should engage in any of the prohibited conduct outlined in Article 10.D and E.

## ARTICLE 11

### TERMINATION

The following provisions apply with respect to termination:

A. Termination by Us. We have the right to terminate this Agreement effective upon notice to you, unless otherwise specified below, under the following provisions:

1. Voluntary abandonment of the Business for a period of five or more business days. Some signs of voluntary abandonment may include actions such as ceasing to service customers, the disconnection of the telephone without a new number immediately being reinstalled or reconnected, default or termination of lease without a new location selected, default or loss of vehicles, and/or other conduct that we would consider abandonment of the Business.

2. Failure to pay when due any amounts required to be paid to us or any of our affiliates whether pursuant to this Agreement or otherwise or to any third party (including vendors and suppliers) as required by this Agreement or any other agreement between you and us or our affiliates, or failure to submit any report, statement or return that is required under this Agreement, and you do not cure the default with 10 days of receiving written notice of this default.

3. Conviction of you or any Personal Guarantor (or pleading no contest to) any felony; or to an offense that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair the goodwill of any of the Trademarks.

4. Any unauthorized assignment or transfer of the Business, this Agreement or you.

5. You receive a notice of your non-compliance with applicable laws, whether that be from a federal, state, local law, or other required regulation or ordinance governing body (for example, OSHA), and you do not cure the matter in a way satisfactory to the governing body within thirty days of your notification.

6. Offering services other than Restoration Services, or failing to offer the services required by this Agreement.

7. Failure to locate an acceptable Franchised Location for the Business and/or execute a lease for the Franchised Location prior to attending Initial Training; failure to attend Initial Training within four months of signing the Franchise Agreement; and/or failure to begin operations of the Franchised Business within six months of signing this Agreement.

8. Willful and material acts of deceit or falsification; such as (i) willfully deceiving customers relative to the source, nature or quality of services sold; (ii) failure to honor a warranty provided to a customer; (iii) making any material misrepresentation on the franchise application or otherwise relating to the acquisition or operation of the Franchise, (iv) willful and material falsification of any report, statement or other written data furnished to us; and/or (v) other similar acts.

9. Any default that results from a subsequent audit of the Business conducted within two years of a previous audit and both audits reveal an understatement of 2% or more in financial information provided to us.

10. You violate any covenant of confidentiality, non-disclosure or non-competition provision of the Franchise Agreement.

11. You fail to acquire, continuously maintain, or you fail to provide satisfactory evidence that you have acquired and maintained, the required minimum levels of insurance. However, we will not exercise our right to terminate this Agreement provided that immediately upon receipt of written notice from us, you cease operating the Franchised Business, and obtain the required insurance within ten days.

12. You fail to (i) comply with any System Standard, (ii) comply with material modifications to System Standards, (iii) operate the business as specified in the Manuals, or (iv) comply with any other provision provided for under the Franchise Agreement; and you do not cure the default within 30 days written notice.

13. You fail to meet the Minimum Performance Standards and fail to cure any Minimum Performance Standards default by paying the Shortfall Royalty within 60 days written notice.

14. You fail to achieve an aggregate average customer satisfaction rating of 6.5 or above for two or more rolling 90-day periods in a calendar year; you fail to submit the documentation required under Appendix C of the Franchise Agreement for any 90-periods where your aggregate average customer satisfaction rating was below 6.5; and/or you fail to follow through on any preventative action plan required under Appendix C of the Franchise Agreement.

15. Voluntary or involuntary bankruptcy by or against you or any Personal Guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

16. Any default by you that is the third similar default within any 24 month consecutive period, regardless if the default was subsequently cure; or if you should failure to cure any default within the required notice period.

If you have entered into more than one franchise agreement with us, then a default under any of the franchise agreements will constitute a default under all franchise agreements.

We may terminate this Agreement upon any other ground or by any shorter period of notice (but not less than 30 days, except as provided above) as may be permitted from time to time by applicable law or regulation. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise will supersede any provision of this Agreement that is less favorable to you than such law or regulation.

Any notice of default or termination will be accomplished by mailing or delivering to you written notice that will identify the grounds for the default and/or termination. Any termination will be effective immediately upon our issuance of the written notice of termination.

B. Termination by Franchisee. You may terminate this Agreement only for good cause and provided that you are in full compliance with all terms and conditions of this Agreement. Our failure to cure a default by us hereunder within 30 days from the date of a written notice of default will give you good cause to terminate this Agreement. You must notify us in writing that we have committed an alleged material breach of this Agreement, in which case we have 30 days after receipt of such notice to cure the alleged material breach. The notice must specify with particularity the nature of the alleged material breach and the steps you request that we take to cure



the alleged material breach. You may terminate this Agreement only if we fail to cure the alleged material breach.

## ARTICLE 12

### POST-TERM OBLIGATIONS

Upon the expiration or termination of this Agreement:

A. Reversion of Rights. All of your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct the Business under the Trademarks in the PAR will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. You must immediately pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us, our parent or any of our affiliates. You must immediately comply with the post-term non-competition and non-solicitation obligations under Articles 10.D-10.F, cease all use and display of the Trademarks and of any material copyrighted by us (including without limitation the Manuals and other Confidential Information), and return to us all customer lists and related data. You must immediately cease using the customer list, and must refrain from any business relationship with any ERS customer. You must immediately return to us, at your expense, all copies of the Manuals, any training videos, the full customer list, the full software database, all licensed software, as well as any other information or materials designated by us in writing as proprietary, and continue to comply with the confidentiality provisions of Article 6.F.

B. Discontinuation of Business and Trademark Use. Upon your receipt of the written notice of expiration or termination, you may not accept or service any customer, but you immediately must transition all customers to us. You must return all customer property to the customer. You must cease your participation in any ERS Web site and our intranet system and must discontinue your use of the Trademarks or System on the Internet or other online communications. Furthermore, you must not use any of the ERS Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media. You also must take such action as may be required to cancel all assumed name or equivalent registrations relating to the use of any trade name or Trademarks and notify the telephone company and listing agencies of the termination or expiration of your right to use all telephone numbers of the Business and all classified and other directory listings of the Business and authorize the transfer of such numbers and directory listings to us or as we direct, all in accordance with the Assignment of Telephone Numbers attached as Appendix E. This agreement by you regarding the telephone numbers and listings is for the benefit of such telephone company serving you. You agree to hold any such telephone company harmless from any and all claims against it arising out of any orders given by us to terminate, transfer or put on referral such telephone service. You must transfer to us or terminate service, as designated by us, all domain names, electronic mail accounts, online listings, social media accounts, and the like, which were set-up for the Business. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your indemnification obligations specified in Article 10.B or under common law and other obligations pursuant to any applicable lease for the Business premises or otherwise, which by their very nature are intended to survive the expiration or termination of this Agreement.

Unless otherwise specified above, you must deliver satisfactory evidence of your completion of all the items in 12.A. and 12.B within 30 days.

## ARTICLE 13

### DISPUTE RESOLUTION

The following provisions apply with respect to dispute resolution:

A. Mediation. Except as qualified below, prior to either party instituting a litigation action, we and you agree to participate in non-binding mediation. The mediation will be conducted in the city of our national headquarters by the American Arbitration Association or any other mediation service mutually agreed to by the parties. The parties will share the cost of the mediation service equally, but each party will bear its own other costs, including, but not limited to, legal fees, in conjunction with the mediation proceeding. Any and all discussions, negotiations, findings or other statements by the mediator or the parties in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any arbitration or litigation proceedings. If after the conclusion of the mediation the parties have not resolved the dispute, then either party may seek to litigate the dispute as provided in Article 16.J.

B. Injunctive Relief. Notwithstanding Article 13.A, you recognize that the Business is one of a large number of businesses identified by the Trademarks and similarly situated and selling to the public similar products and services, and the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to us or to some or all of our other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. Similarly, it is mutually agreed that in the event of our breach or threatened breach of any of the terms of this Agreement, you will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party.

C. Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement or the Business will be entitled to recover its reasonable attorneys' fees and costs from the other party. This Article 13.C will survive termination or expiration of this Agreement under any circumstances.

D. Enforcement. During the term of this Agreement, if you do not give us written notice of the alleged breach of this Agreement within one year from the date that you have knowledge of circumstances reasonably causing you to believe you may have a claim for a breach of this Agreement by us, then the alleged breach will be deemed to be waived by you in all respects and you will be barred from bringing any legal or other action against us for the alleged breach. Furthermore, upon expiration or termination of this Agreement, you may not

assert any claim or cause of action against us arising under, out of, or in any way connected with or related to this Agreement, the relationship between the parties, or the Business unless the claim or cause of action is commenced within one year after the effective date of the expiration or termination of this Agreement. Notwithstanding the preceding two sentences, if the one year time limitation is prohibited by or invalid under any applicable law, then no suit or action may be commenced or maintained unless it is commenced within the shortest applicable statute of limitations.

## ARTICLE 14

### ASSIGNMENT BY FRANCHISEE

You agree that the following provisions will govern any transfer or proposed transfer by you:

A. Transfers. This Agreement is entered into by us with specific reliance upon the financial qualifications and the personal experience, skills and managerial and financial qualifications of you and your Principal Operator, all of which are essential to the satisfactory operation of the Business licensed hereunder. Consequently, neither you nor your Principal Operator's interest in this Agreement or in the Business, nor your Principal Operator's interest in you, may be transferred or assigned to or assumed by any other person or entity (the "Assignee"), in whole or in part, unless you or your Principal Operator have first tendered to us the right of first refusal to acquire such interest in accordance with Article 14.E, and if we fail to exercise such right, unless our prior written consent is obtained and the transfer conditions described in Article 14.C are satisfied.

Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, gift or otherwise or any arrangement pursuant to which you turn over all or part of the daily operation of the Business to a person or entity who shares in the losses and/or profits of the Business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, Transfer Fee, and other transfer conditions in this Article 14:

1. Any change or series of changes in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Operator (including any addition or deletion of any person or entity who qualifies as a Principal Operator) which results in the Principal Operator owning less than 67% of the franchisee entity;
2. Any change in the general partner of a franchisee that is a general, limited or other partnership entity; or
3. For purposes of this Article 14.A, a pledge or seizure of any ownership interests in you or in any Principal Operator that affects the ownership of 1% or more of you or Principal Operator, which we have not approved in advance in writing.

In the event of your or your Principal Operator's insolvency or the filing of any petition by or against you or your Principal Operator under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your or your Principal Operator's interest in this Agreement or the Business, such person first must so notify us, must tender the right of first refusal provided for in Article 14.E, and if we fail to exercise such

right, must apply for and obtain our consent to the transfer and satisfy the transfer conditions described in Article 14.C. In addition, you, your Principal Operator or the Assignee must pay our attorneys' fees and costs incurred in any bankruptcy or insolvency proceeding pertaining to you or your Principal Operator.

B. Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided that the Assignee is, in our reasonable judgment, qualified to provide active supervision over the operation of the Business, the Assignee possesses sufficient net worth and sources of capital to meet our standards for the Business, and the conditions defined in Article 14.C are satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in Article 14.E must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other information required therein. The application must indicate whether you or your Principal Operator proposes to retain a security interest in the property to be transferred. No such security interest will be created without our prior written consent and except upon conditions acceptable to us. Any attempted transfer by you or your Principal Operator without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will give us the right to terminate this Agreement.

C. Conditions of Transfer. Whether the transfer is to an individual, a corporation, a partnership or to any other entity, the following provisions apply:

1. We may condition our consent to any proposed transfer upon the following:
  - (a) all of your obligations in connection with the Business have been assumed by the Assignee;
  - (b) all of your ascertained or liquidated debts in connection with the Business, including all amounts owed to us or any of our affiliates or your suppliers have been paid in full;
  - (c) you are not in default under any provision of this Agreement; the Business must be in operation; and you must have completed Initial Training and opened the Business;
  - (d) the Assignee (i) meets the then current qualification criteria for the operation of an ERS Business; (ii) enters into the then current form of Franchise Agreement; (iii) is not involved in a competitive business and (iv) completes the training program required of new franchisees;
  - (e) you or the Assignee has paid us the then-current transfer fee;
  - (f) you and all Personal Guarantors officers, directors and shareholders execute a general release in our favor;
  - (g) you and all Personal Guarantors, officers, directors and shareholders agree to comply with the covenant not to compete and non-solicitation set forth in Articles 10.D, 10.E, and 10.F, of this Agreement; and
  - (h) in the case of an installment sale, if you or any Principal Operator proposes to retain a security interest or other financial interest in the Franchise Agreement or the Business operated thereunder (with our consent), you or such Principal Operator agrees to guarantee the performance of the Franchise Agreement

until the final close of the installment sale or the termination of such interest, as the case may be.

2. Notwithstanding the conditions stated in Article 14.C.1 above, if you are an individual franchisee, you may assign the franchise to a corporation or other similar entity in which you own all of the issued and outstanding capital stock provided that:

(a) the corporation or other similar entity is newly organized and its activities are confined exclusively to acting as the franchisee under this Agreement;

(b) the corporation or other similar entity executes a document in a form approved by us in which it agrees to become a party to and be bound by all the provisions of this Agreement; and

(c) the Principal Operator remains personally liable in all respects under this Agreement and executes on a form approved by us a personal guarantee and agreement not to sell, assign, pledge, mortgage or otherwise transfer or encumber the stock.

3. We may require you to prepare and furnish to the Assignee or to us such financial reports and other data relating to the Business and its operations as we, in our sole and exclusive judgment, may deem necessary or appropriate for the Assignee or us to evaluate the Business and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Business and proposed transfer without being held liable to you. Any such information we furnish to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Business and proposed transfer and must not be construed in any manner or form whatsoever as an earnings claim or claims of success or failure.

D. Death, Disability or Incapacity. If any individual franchisee (or Principal Operator) dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a franchisee hereunder, the person or entity must apply for our consent, successfully complete our training program and pay the applicable Transfer Fee, all in accordance with this Article 14 as in any other case of a proposed transfer. If the Assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no Transfer Fee will be payable to us. Failure to transfer within 180 days of the Principal Operator's death, disability or incapacity constitutes a default under this Agreement. Further, we may temporarily manage and control the customer accounts of the Business during any interim or transition period associated with the transfer or assignment under this Article 14.D to ensure the continued integrity of the Trademarks and System.

E. Right of First Refusal. If you or your Principal Operator propose to transfer or assign this Agreement or your interest herein or in the Business, in whole or in part, to any third party, you or your Principal Operator first must offer to sell to us your interest as provided herein. In the event of a bona fide offer from such third party, you or your Principal Operator must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you or your Principal Operator, of the terms of the offer. In the event of (i) a transfer or assignment of stock or similar ownership interests in you or your Principal Operator's interest in you, or (ii) you, your Personal Owner's or a Personal Guarantor's insolvency or the filing of any petition by or against you, or your Principal Operator or a Personal Guarantor under any provisions

of any bankruptcy or insolvency law, our offer will be to purchase your and your Principal Operator's interest in this Agreement and the Business. An amount and terms of purchase must be established by a qualified appraiser selected by you and us. If the parties cannot agree upon the selection of an appraiser, one will be appointed by the American Arbitration Association upon petition of either you or us to appoint an appraiser to establish such price in accordance with the rules and procedures of the Association. You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report.

We will have 30 days from our receipt of the statement setting forth the third-party offer or the appraiser's report to accept the offer by delivering written notice of acceptance to you. The acceptance will be on the same price and terms set forth in the statement delivered to us; provided, however, we will have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 30 day period, you will be free for 6 months from the date the offer was submitted to us to effect the disposition described in the statement delivered to us; provided the transfer is not at a lower price or with more favorable terms than have been offered to us and is otherwise in accordance with this Article 14. If the disposition is not closed within the six-month period with the proposed assignee, then you or your Principal Operator must reoffer to sell to us prior to the sale to a third party. You or your Principal Operator may effect no other sale or assignment of you, this Agreement or the Business without first offering the same to us in accordance with this Article 14.E.

## ARTICLE 15

### ASSIGNMENT BY FRANCHISOR

We reserve the right to sell or assign, in whole or in part, our interest in this Agreement. Any such sale or assignment will inure to the benefit of any assignee or other legal successor.

## ARTICLE 16

### GENERAL PROVISIONS

The parties hereby agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement will be deemed to be valid and in full force and effect and the terms of this Agreement will be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding hereunder will, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. Except as set forth in Article 13.D, no waiver by either party of any breach by the other party, nor any delay or failure by either party to enforce any provision of this Agreement, will be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce the non-breaching party's rights with respect to that or any other or subsequent

breach. Subject to our rights to modify Appendices or System standards and requirements and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the Franchise Disclosure Document, and any addenda and appendices hereto or thereto constitute the entire agreement between you and us and supersede any and all prior negotiations, understandings, representations and agreements.

Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document we furnished to you.

You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees 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 you pursuant to applicable law.

C. Notices. Notices may be sent by personal delivery, United States Mail, Registered Mail, by reputable commercial courier service, electronic mail or facsimile.

1. Notices sent by U.S. Mail or Registered Mail are deemed delivered and effective three days after being placed with the delivery service.

2. Notices sent by a commercial courier service are deemed delivered and effective (i) one day after being placed for overnight service; (ii) two days after being sent via two-day delivery; (iii) three days after being sent via three-day delivery or (iv) five days after being sent ground.

3. Notices delivered by personal delivery, sent by electronic mail or facsimile will be deemed delivered as of the day delivered/sent.

Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Article. The notice address for you and us is as specified on page 1 of this Agreement or such other address as may be designated in the future.

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President. You must neither create nor purport to create any obligation on behalf of us, nor agree to any other term, condition, or covenant that is inconsistent with any provision of this Agreement.

E. References. If a franchisee consists of two or more individuals, such individuals will be jointly and severally liable, and references to the franchisee in this Agreement include all such individuals. Headings and captions contained herein are for convenience of reference and must not be taken into account in construing or interpreting this Agreement.

F. Principal Operator; Personal Guarantors. The Principal Operator must be identified on the Ownership Addendum attached as Appendix G to this Agreement and must sign the attached undertaking and guarantee as a Personal Guarantor. In addition, any person or entity that is an owner of 5% or more of Franchisee, or at any time becomes an owner of a minority interest of Franchisee, is a Personal Guarantor and must execute the form of undertaking and guarantee attached to this Agreement, as a condition of becoming a Minority Operator.

G. Relationship of Parties. You are and will be considered an independent contractor with control and direction of the Business and operations, subject to the conditions and obligations established by this Agreement. No agency, employment, or fiduciary relationship is created by this Agreement. Your Business is separate and apart from any that we may operate. Neither party to this Agreement may bind the other nor make any representations tending to create apparent agency, employment, or partnership.

H. Successors/Assigns. Subject to the terms of Articles 14 and 15, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

I. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law. Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Article 1051 et seq.), this Agreement is governed by and interpreted in accordance with the laws of Michigan, except that Michigan laws relating to franchises will not apply unless the jurisdictional requirements of such laws are satisfied independently of this provision. You expressly waive any rights or protections you have or may have under any statute or law of any other state to the fullest extent permitted by law. This Agreement may be deemed to be amended from time to time as may be necessary to bring any of its provisions into conformity with valid applicable laws or regulations. Subject to Article 13, any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties must be brought in the Federal District Court or County District Court in the city of our national headquarters. Both parties hereto irrevocably admit themselves to, and consent to, the exclusive jurisdiction of said courts. The provisions of this Article will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Article, and with a complete understanding thereof, agree to be bound in the manner set forth.

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve or are deemed to have reserved discretion in a particular area or where we agree or are deemed to be required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of us. Examples of items that will promote or benefit the System include enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity,



enhancing or encouraging modernization, and improving the competitive position of the System.

J. JURY WAIVER. THE PARTIES (AND THEIR RESPECTIVE OWNERS AND PERSONAL GUARANTORS, IF APPLICABLE) HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT.

K. WAIVER OF PUNITIVE DAMAGES. THE PARTIES (AND THEIR RESPECTIVE OWNERS AND PERSONAL GUARANTORS, IF APPLICABLE) HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.

L. Acts Beyond Control of Parties. In the event of any failure of performance of this Agreement according to its terms by any party, the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of the party. Such causes include strikes, wars, riots, and acts of government except as may be specifically provided for elsewhere in this Agreement.

M. Notice of Potential Franchisor Profit. We hereby advise you that we or our affiliates may from time to time make available to you products or services for use in the Business on the sale of which we or our affiliates may make a profit. You agree that you will pay the then-current price in effect for any such goods, products and services. We further advise you that we or our affiliates may from time to time receive consideration from Vendors in respect to Approved Supplies and other products or services you may use in the Business or in consideration of services rendered or rights licensed to such persons. You agree that we or our affiliates are entitled to said profits or consideration.

N. Effective Date. This Agreement is deemed made when accepted by us at our headquarters and signed by our President.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement on the date first noted above.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Effective Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND  
PERSONALLY BY THE TERMS AND CONDITIONS  
OF THE FRANCHISE AGREEMENT

In consideration of the execution of this Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in this Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the arbitration and other dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this Franchise Agreement and agree that this Personal Guarantee should be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by the franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of the successors and assigns of us.

PERSONAL GUARANTORS

<hr/> <b>Individually</b>	<hr/> <b>Individually</b>
<hr/> <b>Address</b>	<hr/> <b>Address</b>
<hr/> <b>City                      State                      Zip Code</b>	<hr/> <b>City                      State                      Zip Code</b>
<hr/> <b>Telephone</b>	<hr/> <b>Telephone</b>

Appendix A to the Franchise Agreement  
**Primary Area of Responsibility (“PAR”)**

**FRANCHISED LOCATION**

The PAR, as stated in Article 2 of the Franchise Agreement includes the following zip-codes, and as located on the attached map.

**PAR**

<zip1>	<zip2>	<zip3>	<zip4>	<zip5>

This is to confirm your acknowledgement and understanding that zip codes and/or their boundaries change periodically, and in the event of a future change, we will use our best efforts to ensure your PAR comprises approximately the same population in approximately the same geographic location.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_



FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

Appendix B to the Franchise Agreement

Trademarks

You have the right to use the following marks in accordance with the attached Franchise Agreement:

 (word plus design logo)	August 11, 2009	3,665,865	Principal
 Electronic Restoration Services (word plus design logo)	March 23, 2010	3,762,627	Principal

We may amend this Appendix from time to time in order to make available additional marks or to delete those marks that become unavailable. You agree to use only those marks that are then currently authorized. The above marks must be used only in the manner that we specify. No deviations will be permitted.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

Appendix C to the Franchise Agreement

**Minimum Performance Standards**

Your rights under the Franchise Agreement are conditioned upon your active and continuous development of the Business in the PAR. As further set forth in Article 2.F of the Franchise Agreement, one measure of your development of the Business is meeting the Minimum Performance Standards set forth below. The Minimum Performance Standards are based on market potential and market share for your PAR, the growth rate of other ERS businesses and other relevant factors.

Following your first full year of operation, you must maintain the following minimum levels of weekly Gross Sales:

<b>Weeks in Operation</b>	<b>Minimum Weekly Gross Sales Required in PAR</b>
Greater than 0 but less than 78	No Minimum
Greater than 78 but less than 130	\$6,000
Greater than 130 but less than 182	\$7,000
Greater than 182 but less than 234	\$8,000
Greater than 234	\$9,000

If you do not achieve the required Minimum Gross Sales for any period of three or more consecutive weeks after 78 weeks in operation, or any three out of six week period, we may collect a shortfall royalty equal to the difference between the royalty fee you should have paid had you achieved the Minimum Gross Sales for those months and the actual royalty fees paid (the “Shortfall Royalty”). In addition, if you fail to achieve the Minimum Gross Sales as specified above, we may also elect to establish another franchisee or affiliate in your PAR and/or allow another franchisee or an affiliate to advertise and service customers located inside your PAR.

The Minimum Performance Standards applicable to the Business you operate may vary from the performance standards applicable to other ERS businesses due to geographic area and other variables.

Failure to meet the Minimum Performance Standards constitutes a default under the Franchise Agreement. If you fail to cure any Minimum Performance Standards default by paying the Shortfall Royalty within 60 days, we may terminate the Franchise Agreement.

**Customer Satisfaction Ratings**

We require you to use and pay for the customer service rating system that we approve, as well as to meet certain customer satisfaction ratings as set forth in this Appendix C (the “Customer Satisfaction Ratings”).

The Customer Satisfaction Ratings will measure, on a scale of “1” to “10” (where “10” is the best score), the level of service provided to customers of the Business you operate through specific metrics set forth in the Manual. You must achieve an aggregate average customer satisfaction rating of 6.5 or above for each rolling 90-day period.

If your 90-day rolling average is less than 6.5, then depending on the severity of the Customer Service problem, ERS may require that you must submit documentation showing (i) how you have addressed the Customer Services problem(s), and (ii) the preventative action that will be taken so as to prevent similar Customer Service problem(s) from reoccurring.

If you fail to meet the aggregate average customer satisfaction rating of 6.5 for two or more quarters in a calendar year, if you fail to submit the documentation outlined in the above paragraph, and/or you should fail to follow through on the preventative action plan as required, then you will be deemed in default of this Agreement. Accordingly and pursuant to Article 11.A, your failure to meet the Customer Satisfaction Rating for any period set forth above will constitute grounds for termination of the Franchise Agreement unless, within 60 days after delivery of written notice of default, you cure the defaults by satisfying the Customer Satisfaction Rating for that recently completed period.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

Appendix D to the Franchise Agreement  
Electronic Transfer of Funds Authorization

Franchisee: \_\_\_\_\_

Location: \_\_\_\_\_

Date: \_\_\_\_\_

NEW	CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes Restoration Specialties Franchise Group, LLC or any affiliated entity (collectively, "RSFG"), to initiate weekly ACH debit entries against the account of the undersigned with you in payment of amounts for Royalty Fees, Marketing Fund Fees or other amounts that become payable by the undersigned to RSFG. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by RSFG.

This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization.

Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

Sincerely yours,

\*\*\* We also need a VOIDED Check \*\*\*

<p>_____</p> <p align="center">Bank Name</p> <p>_____</p> <p align="center">Branch</p> <p>_____</p> <p align="center">Street Address</p> <p>_____</p> <p align="center">City State Zip Code</p> <p>_____</p> <p align="center">Bank Telephone Number</p> <p>_____</p> <p align="center">Bank's Account Number</p> <p>_____</p> <p align="center">Customer's Account Number</p>	<p>_____</p> <p align="center">Account Name</p> <p>_____</p> <p align="center">Street Address</p> <p>_____</p> <p align="center">City State Zip Code</p> <p>_____</p> <p align="center">Telephone Number</p> <p>By _____</p> <p>Its _____</p> <p>Date _____</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Appendix E to the Franchise Agreement

**Assignment of Telephone Numbers**

Date: \_\_\_\_\_

This assignment is effective as of the date of termination of the Franchise Agreement entered into between Restoration Specialties Franchise Group, LLC (“us”) and \_\_\_\_\_ (“you”). You hereby irrevocably assign to us or our designee the telephone number or numbers and listings issued to you with respect to each and all of your ERS Businesses, including employee cellular telephone numbers that have been used in connection with ERS Businesses in any respect (“telephone numbers”). This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the telephone numbers.

We hereby are authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the telephone company, as well as any other company that publishes telephone directories (“telephone companies”), to transfer the telephone numbers to us or such other person or entity as we designate. You hereby grant to us an irrevocable power of attorney and appoint us as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and the telephone companies may accept this assignment and our instructions as conclusive evidence of our rights in the telephone numbers and our authority to direct the amendment, termination or transfer of the telephone numbers, as if they had originally been issued to us. In addition, Franchisee agrees to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by Restoration Specialties Franchise Group, LLC regarding the telephone numbers.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_



Appendix F to the Franchise Agreement

**Assignment of Domain Name, E-Mail Address, Online Listings and Social Media Accounts**

Date: \_\_\_\_\_

This assignment is effective as of the date of termination of the Franchise Agreement entered into between Restoration Specialties Franchise Group, LLC (“we” or “us”) and \_\_\_\_\_ (“you” or “franchisee”). You hereby irrevocably assign to us or our designee the domain names, e-mail addresses, online listings, and/or Social Media accounts (collectively the “Web Listings”) with respect to each and all of your ERS Businesses. You agree to pay all amounts, whether due and payable or not, that any domain name registry (“Registry”) or Internet Service Provider (“ISP”) may require in connection with such transfer. This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the domain names and e-mail addresses.

We are hereby authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the Registry and the ISP to transfer or terminate (as we designate) the Web Listings to us or such other person or firm as is designated by us. In furtherance thereof, you hereby grant an irrevocable power of attorney to us and appoint us as your attorney-in-fact to take any necessary actions to assign the Web Listings, including but not limited to, executing any forms that the Registry and the ISP may require to effectuate the assignment. This assignment is also for the benefit of the Registry and the ISP, and the Registry and the ISP may accept this assignment and our instructions as conclusive evidence of our rights in the Web Listings and our authority to direct the amendment, termination or transfer of the Web Listings, as if they had originally been issued to us. In addition, you agree to hold the Registry and the ISP harmless from any and all claims against them arising out of any actions or instructions by us regarding the Web Listings.

YOU:

WE:

(Print Name)

RESTORATION SPECIALTIES FRANCHISE  
GROUP, LLC

\_\_\_\_\_  
(Your Signature)

By : \_\_\_\_\_

Company Name:

Its: \_\_\_\_\_

By : \_\_\_\_\_  
(Your Signature)

Its: \_\_\_\_\_  
(Your Position)

**Operator Addendum**

1. Principal Operator and Minority Operators. You represent and warrant to us that the following person(s) and entities, and only the following person(s) and entities, shall be the Principal Operator and Minority Operators of the franchise:

<u>NAME</u>	<u>HOME ADDRESS</u>	<u>PERCENTAGE OF INTEREST</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Change. You shall immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information.

3. Effective Date. This Addendum is effective as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

Appendix H to the Franchise Agreement

**Promissory Note**

Date: \_\_\_\_\_

Principal: \$ \_\_\_\_\_

FOR VALUE RECEIVED, **[Franchise Owner]** ("Franchisee"), a \_\_\_\_\_ with an address of **[address], [city], [state], [zip]**, unconditionally promises to pay Restoration Specialties Franchise Group, LLC ("RSFG"), located at 12001 Levan Road, Livonia, MI 48150 the principal sum of **[\$principal]** ("Principal"). There is no interest if the Principal is paid in full within 30 days of execution of this Promissory Note. However, if the Principal is not paid within 30 days of the date of this Promissory Note then interest will be due on the unpaid principal balance, at the rate of 9.9% percent per annum.

Principal and interest shall be payable in one lump sum, and due at least one week before Franchisee (or Franchisee's representative) attends Initial Training, or four months from the date of this Promissory Note, whichever event occurs first.

All payments under this Promissory Note shall be in lawful money of the United States. In no event shall the interest and other charges in the nature of interest, if any, exceed the maximum amount of interest permitted by law. Any amount collected in excess of the maximum legal rate shall be applied to reduce the principal balance. All payments under this Promissory Note shall be applied first to interest, if any, and the balance to Principal.

If Franchisee fails to pay the Principal owed under this Promissory Note for 10 days after the same becomes due, then Franchisee will be in default of this Promissory Note. If Franchisee is in default of this Promissory Note RSFG may, at its option, declare this Promissory Note to be immediately due and payable, together with all accrued interest and any other charges, without notice or demand, whereupon this Promissory Note will be immediately due and payable in full. This Promissory Note will also become automatically due and payable (including accrued unpaid interest) without notice or demand should a petition be filed by or against Franchisee under the United States Bankruptcy Code or any other law relating to insolvency, reorganization, receivership or relief of debtors or should a trustee, receiver or similar officer be appointed for Franchisee or for Franchisee's property. If this Promissory Note is not paid on the due date or any event occurs that would entitle RSFG to declare this Promissory Note to be immediately due and payable, RSFG will have the right to set off the indebtedness evidenced by this Promissory Note against any indebtedness of RSFG or its subsidiary to Franchisee. Franchisee agrees to pay all costs of collection incurred by RSFG, including but not limited to, attorneys' fees and legal expenses, if this Promissory Note is not paid when due whether suit is commenced or not, including but not limited to, costs and expenses in collection, litigation, bankruptcy or insolvency proceedings.

This Promissory Note may be prepaid at any time, in whole or in part, without penalty or premium.

Franchisee expressly waives presentment, demand, notice, protest, and all other demands and notices in connection with this Promissory Note. No renewal or extension of this Promissory

Note, nor release of any collateral or party liable hereunder, will release the liability of Franchisee.

Should the undersigned transfer or assign their franchise rights to a third party prior to the pay-off of this Promissory Note, said Promissory Note must be paid in full before RSFG will approve such transfer or assignment.

Failure of RSFG to exercise any right or option shall not constitute a waiver, nor shall it be a bar to the exercise of any right or option at any future time. If any provision of this Promissory Note shall be invalid or unenforceable, the remaining provisions shall remain in full force and effect. This Promissory Note shall be governed by the laws of Michigan.

Franchisee confirms that the proceeds of this Promissory Note will be used for the business purpose of starting up an Electronic Restoration Services Franchised Business.

As evidenced by the attached Personal Guaranty this Promissory Note is personally guaranteed by \_\_\_\_\_.

IN WITNESS WHEREOF, this Promissory Note is executed under seal on the day and year first above written.

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
[Franchise Owner Name]

By:

\_\_\_\_\_  
[Franchise Owner Name]

PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND  
PERSONALLY BY THE TERMS AND CONDITIONS  
OF THE PROMISSORY NOTE

In consideration of the execution of the Promissory Note by RSFG, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Promissory Note, to be paid, kept and performed by the Franchisee.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Promissory Note and agree that this Personal Guarantee should be construed as though the undersigned and each of them executed a Promissory Note containing the identical terms and conditions of the Promissory Note.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by the franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Promissory Note, or the amendment or extension of the Promissory Note with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of the successors and assigns of RSFG.

PERSONAL GUARANTORS

<hr/> <p>Individually</p> <hr/>	<hr/> <p>Individually</p> <hr/>
<hr/> <p>Address</p> <hr/>	<hr/> <p>Address</p> <hr/>
<hr/> <p>City                      State                      Zip Code</p> <hr/>	<hr/> <p>City                      State                      Zip Code</p> <hr/>
<hr/> <p>Telephone</p> <hr/>	<hr/> <p>Telephone</p> <hr/>

**ACKNOWLEDGMENT ADDENDUM TO  
THE ERS® FRANCHISE AGREEMENT**

As you know, you and we are entering into a Franchise Agreement for the operation of an ERS® franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of the Business. Please review each of the following questions carefully and provide honest responses to each question.

**Acknowledgments and Representations.\***

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least (a) 14 calendar days prior to signing the Franchise Agreement; **or** (b) if you are a resident of **Iowa, New York or Rhode Island**, at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement (or other agreement) or payment of any consideration; **or** (c) if you are a resident of **Michigan, Oregon or Washington**, at the earlier of 10 business days before the execution of any binding agreement or payment of any consideration? Check one:  Yes  No. If no, please comment: \_\_\_\_\_  
\_\_\_\_\_
2. Have you studied and reviewed carefully our disclosure document and Franchise Agreement? Check one:  Yes  No. If no, please comment: \_\_\_\_\_  
\_\_\_\_\_
3. If the franchisor made any unilateral changes to the Franchise Agreement, did you receive a copy of the complete revised agreement at least 7 calendar days prior to the date on which the applicable agreement was executed? Check one:  No  Yes. If no, please comment: \_\_\_\_\_  
\_\_\_\_\_
4. Did you understand all the information contained in both the disclosure document and Franchise Agreement? Check one  Yes  No. If no, please comment: \_\_\_\_\_  
\_\_\_\_\_
5. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the disclosure document? Check one:  No  Yes. If yes, please state in detail the oral, written or visual claim or representation: \_\_\_\_\_  
\_\_\_\_\_
6. Did any employee or other person speaking on behalf of Restoration Specialties Franchise Group, LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any ERS location or business, or the likelihood of success at your franchised Business? Check one:  No  Yes. If yes, please state in detail the oral, written or visual claim or representation: \_\_\_\_\_  
\_\_\_\_\_
7. Did any employee or other person speaking on behalf of Restoration Specialties Franchise Group, LLC make any statement or promise regarding the costs involved in operating a franchise that is not contained in the disclosure document or that is contrary to, or different from, the information contained in the disclosure document. Check one:  No  Yes. If yes, please comment: \_\_\_\_\_  
\_\_\_\_\_

8. Do you understand that the Franchise Agreement grants you the right to operate an ERS Business using the ERS Trademarks in a specified geographic area, and that, according to each agreement, we and our affiliates have the right to distribute products through alternative methods of distribution and to issue franchises or operate competing businesses for or at locations, as we determine, (i) outside of your PAR using the ERS Trademarks or any other trademarks and (ii) inside your PAR using any trademarks other than the ERS trademarks, except for National Accounts. Check one:  Yes  No. If no, please comment:

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9. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the applicable agreement or in the disclosure document will not be binding? Check one:  Yes  No. If no, please comment: \_\_\_\_\_

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10. Do you understand that the success or failure of the Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the ERS Trademarks, interest rates, the economy, weather patterns, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you commence operations of the Business may change? Check one  Yes  No. If no, please comment: \_\_\_\_\_

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12. Do you understand that during the term of the Franchise Agreement and for 2 years after it expires or terminates, you (including all Principal Operators, your Designated Manager and all guarantors, officers, directors, members, managers and partners) may not, directly or indirectly, have or maintain any interest in any business selling products or services similar to the Products and Services sold by an ERS Business? Check one  Yes  No. If no, please comment: \_\_\_\_\_

---

13. On the receipt pages of your disclosure document you identified \_\_\_\_\_ as the franchise seller(s) involved in this franchise sales process. Are the franchise sellers identified above the only franchise sellers involved with this transaction? Check one  Yes  No. If no, please identify any additional franchise sellers involved with this transaction: \_\_\_\_\_

---

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

**[Signatures appear on the following page.]**

**NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.**

Signed \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signed \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

**APPROVED on behalf of Restoration  
Specialties Franchise Group, LLC**

Signed \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

\*Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or the Maryland Franchise Registration and Disclosure Law.



## EXHIBIT D

Below you will see a Table of Contents of our Operations Manual, as of the date of this Disclosure Document. We reserve the right to modify this at any time:

Topic	Apx. Number of Pages
<b>OPERATIONS MANUAL</b>	
1. JumpStart (Pre-Opening Procedures)	54
2. Personnel	122
3. Safety Procedures	48
4. Sales and Marketing	46
5. General Operations	64
Total Number of Pages	334



**EXHIBIT E**

**Form of Release Agreement**



**FORM OF RELEASE AGREEMENT**  
**(Subject to Change by Restoration Specialties Franchise Group, LLC)**

THIS AGREEMENT AND RELEASE (the “Agreement”) is made and entered into by and among \_\_\_\_\_ (“Franchisee”) and Restoration Specialties Franchise Group, LLC (“RSFG”). All capitalized terms not defined in this Agreement have the respective meanings set forth in the Franchise Agreement (defined below). This Agreement is effective on the date we sign below (the “Effective Date”).

**RECITALS**

- A. Franchisee and RSFG are parties to a Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”).
- B. [Describe the circumstances relating to the release.]
- C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, RSFG and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement

**AGREEMENT**

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged Franchisee, and RSFG agree as follows:

- 1-3. [Note: Detail other terms and conditions of the Release.]
4. Release.
- A. Franchisee and each of its respective heirs, successors, assigns, affiliates, shareholders, directors, employees, and agents, and on behalf of any other party claiming an interest through them (collectively and individually referred to as the “Franchisee Parties” for purposes of this Section 4), release and forever discharge RSFG, its predecessors, successors, affiliates, directors, officers, shareholders, agents, employees and assigns (collectively and individually referred to as the “RSFG Parties” for purposes of this Section 4) of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which Franchisee Parties may now or in the future own or hold, that in any way relate to the Franchise Agreement, any other agreement between Franchisee Parties and RSFG Parties, or the relationship between Franchisee Parties and RSFG Parties through the Effective Date (collectively, “Franchisee Parties Claims”), for known or unknown damages or other losses including, but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement

between Franchisee Parties and RSFG Parties through and including the Effective Date of this Agreement.

B. Except as noted in this Section 4.B, the RSFG Parties hereby release the Franchisee Parties from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which RSFG Parties may now or in the future own or hold, that in any way relate to the Franchise Agreement, any other agreement between RSFG Parties and Franchisee Parties, or the relationship between RSFG Parties and Franchisee Parties through the Effective Date (collectively, the “RSFG Parties Claims”), for known or unknown damages or other losses, including but not limited to any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between RSFG Parties and Franchisee Parties through and including the Effective Date. The RSFG Parties do not release the Franchisee Parties from any obligations arising by virtue of this Agreement and claims arising from the Franchisee Parties’ failure to comply with those obligations, including, without limitation, the obligations under Sections \_\_\_\_\_ of this Agreement.

C. The release of Franchisee Parties Claims as set forth in Section 4.A and RSFG Parties Claims as set forth in Section 4.B are intended by the Franchisee Parties and the RSFG Parties (collectively, the “Releasers”) to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of one of the Releasers against the other Releasers regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein.

[The Releasers, for themselves, their heirs, successors, and assigns, hereby expressly, voluntarily and knowingly waive, relinquish and abandon each and every right, protection, and benefit to which they 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. The Franchisee Parties acknowledge 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 does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially effected his settlement with the debtor.”]

[Bracketed language for use in California only.]

In making this voluntary express waiver, the Releasors acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasors' intentions 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. The Releasors acknowledge and agree that the foregoing waiver of is an essential, integral and material term of this Agreement and Release. The Releasors further acknowledge and agree that no violation of this Agreement shall void the release set forth in this Section 4.

5. Acknowledgment. Franchisee acknowledges and agrees that the representations and agreements set forth in Section 4 are a material inducement to RSFG to enter into this Agreement, such that RSFG would not have entered into this Agreement in the absence of such agreements.

6. Binding Effect. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Franchisee and RSFG and their respective successors and assigns.

7. Governing Law/Venue. This Agreement shall be governed by, and construed in accordance with, the law of the State of Michigan without regard to principles of conflicts of law. The parties agree that any legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced only in the State or Federal courts of Michigan.

8. Attorney's Fees. The prevailing party in any legal proceeding to enforce the terms of this Agreement is entitled to recover its reasonable attorneys' fees and costs from the non-prevailing party.

9. Entire Agreement/Amendment. The Franchise Agreement and this Agreement constitute the entire, full, and complete agreement of the parties with respect to the subject matter hereof and supersedes any and all prior agreements. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Agreement, the terms of this Agreement shall control. Except as amended hereby, all the other terms and conditions of the Franchise Agreement are ratified and confirmed. This Agreement shall not be amended except by the written agreement of the parties.

10. Representation by Counsel. Franchisee and RSFG have had the opportunity to consult with legal counsel of their respective choice with respect to this Agreement, including the full and final release of claims set forth herein.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed

modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

12. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Facsimile or scanned signatures shall be binding as if they were originals.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_



**EXHIBIT F**  
**State Addenda**



**CALIFORNIA ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

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

- A. 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.).
- B. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- C. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- D. The franchise agreement requires binding arbitration. The arbitration will occur at Los Angeles County, California with the costs being borne by the non prevailing party.
- E. The franchise agreement requires application of the laws of California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

- a) Section 31125 of the 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.
- b) You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 Through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

**HAWAII ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

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, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE 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 FRANCHISEE.

**ILLINOIS ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

**Item 17, Additional Disclosures.** The following statement is added to Item 17:

The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.

Except for those cases in which Franchisor is entitled to the entry of temporary and permanent injunctions and orders of specific performance in accordance with the terms of the Franchise Agreement and claims of promissory fraud, all disputes must be arbitrated in the county in which Franchisor’s principal offices are located at the time the demand for arbitration is filed.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.

**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Illinois; (b) Franchisee is a resident of the State of Illinois; and/or (c) the Franchised Business will be located or operated in the State of Illinois.
2. The following sentence is added to the end of Section 16.I: Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.
3. Section 16.I is amended to include the following: Notwithstanding the foregoing, the Illinois Franchise Disclosure Act shall govern the Franchise Agreement.
4. Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.
5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

**MARYLAND ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

**Item 1, Additional Disclosures.** The following statements are added to Item 1:

The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The “Summary” column of Item 17(H) of the Disclosure Document, pertaining to “Cause defined – defaults that cannot be cured” is supplemented to state that any provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law.

Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Franchise Agreement may provide for arbitration in a forum outside of Maryland.

Section 14-227(e) of the Maryland Franchise Registration and Disclosure Law requires that any claims arising under that Law be brought within 3 years after the grant of the franchise.

**Item 22, Additional Disclosures.** The following statements are added to Item 22:

Item 22 of the Disclosure Document is supplemented to state that the form of general release referred to in Items 17.c. and 17.m is attached to this Disclosure Document pursuant to Maryland Franchise Registration and Disclosure Law.

**ADDENDUM TO THE FRANCHISE AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

This Addendum to Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Maryland; (b) Franchisee is a resident of the State of Maryland; and/or (c) the Franchised Business will be located or operated in the State of Maryland.
  
2. The following sentence is added to the end of Section 1:  
  
Representations in the Franchise Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
  
3. The following sentence is added to the end of Sections 4.B(7) and 14.C(f):  
  
The general release required as a condition of renewal or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
  
4. The following sentence is added to the end of Section 16.I:  
  
Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Franchise Agreement may provide for arbitration in a forum outside of Maryland.
  
5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
  
6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_



**MINNESOTA ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

**Item 13, Additional Disclosure:** The following statement is added to Item 13:

We will protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name to the extent required by Minn. Stat. Sec. 80C.12, Subd.1(g).

**Item 17, Notice of Termination:** The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

**Item 17, Governing Law, Jurisdiction and Venue and Choice of Forum:** The following statement is added to the cover page and Item 17:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

**Item 17, General Release:** The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR MINNESOTA FRANCHISEES**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Minnesota; (b) Franchisee is a resident of the State of Minnesota; and/or (c) the Franchised Business will be located or operated in the State of Minnesota.
2. The following sentence is added to the end of Section 11.A:  
  
With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, subdivision 3, 4, and 5 which requires, except in certain cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.
3. The following sentence is added to the end of Sections 4.B(7) and 14.C(f):  
  
Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.
4. Section 13.B is deleted and replaced with the following:  
  
Franchisor shall be entitled to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (1) Franchisee’s use of the Trademarks; (2) the construction and equipping of the Franchised Business; (3) the obligations of Franchisee upon termination or expiration of this Agreement; (4) a Transfer of this Agreement, any ownership interest therein or in the lease for the Franchised Business; and (5) as necessary to prohibit any act or omission by Franchisee or its employees that would constitute a violation of any applicable law, ordinance, or regulation, or which is dishonest or misleading to Franchisor and/or Franchisor’s other licensees.
6. The following sentences are added to the end of Sections 12.B and 15.I:  
  
Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring arbitration or litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the Franchise Agreement can abrogate or reduce any of Licensee’s rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

8. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

**NEW YORK ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

**Item 3, Additional Disclosure.** The last sentence in Item 3 is deleted and replaced with the following:

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of 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.

Accordingly, other than the three actions described above, no litigation is required to be disclosed in this Disclosure Document.

**Item 4, Additional Disclosure.** Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained 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 one year after the officer or general partner of the franchisor held this position in the company or partnership.

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement.

The New York Franchises Law requires that New York law govern any cause of action which arises under the New York Franchises Law.

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Franchise Agreement inconsistent with that law.

**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED FOR NEW YORK FRANCHISEES**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of New York; (b) Franchisee is a resident of the State of New York; and/or (c) the Franchised Business will be located or operated in the State of New York.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.
3. The following sentence is added to the end of Sections 4.B(7) and 14.C(f): Any provision in the Franchise Agreement requiring Franchisee to sign a general release of claims against Franchisor does not release any claim Franchisee may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added at the end of Section 15: Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor’s good faith and judgment is willing and able to assume Franchisor’s obligations under the Franchise Agreement.
5. The following sentence is added to the end of Section 16.I: Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
7. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

**NORTH DAKOTA ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void. Any mediation or arbitration will be held at a site agreeable to all parties. The laws of the State of North Dakota will govern any dispute.

Any general release the franchisee is required to assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability Restoration Specialties Franchise Group, LLC may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete upon termination or expiration of the franchise agreement are generally not enforceable in the State of North Dakota, except in certain instances as provided by law.

The Franchise Agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Restoration Specialties Franchise Group, LLC in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Disclosure Document, Franchise Agreement and Area Development Agreement state that franchisee must consent to the jurisdiction of courts in the state of Michigan. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document, Franchise Agreement and Area Development Agreement.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. The Commissioner has determined this to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and, instead the statute of limitations under North Dakota law will apply.

**ADDENDUM TO THE FRANCHISE AGREEMENT  
REQUIRED FOR NORTH DAKOTA FRANCHISEES**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of North Dakota; (b) Franchisee is a resident of the State of North Dakota; and/or (c) the Franchised Business will be located or operated in the State of North Dakota.
2. Any release executed in connection herewith shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
3. Covenants not to compete are generally considered unenforceable in the State of North Dakota.
4. The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. The laws of the State of North Dakota will govern any dispute.
5. The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
6. The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
7. The requirement that mediation or arbitration be held in Michigan may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.
8. The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
9. The Franchise Agreement states that franchisee must consent to the jurisdiction of courts in the state of Michigan. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.



10. The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and, instead, the statute of limitations under North Dakota law will apply.
11. The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Restoration Specialties Franchise Group, LLC in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

**RHODE ISLAND ADDENDUM TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

**Item 17, Additional Disclosure.** The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**ADDENDUM TO THE FRANCHISE AGREEMENT  
REQUIRED FOR RHODE ISLAND FRANCHISEES**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Rhode Island; (b) Franchisee is a resident of the State of Rhode Island; and/or (c) the Franchised Business will be located or operated in the State of Rhode Island.
2. The following sentence is added to the end of Section 16.I:  
  
Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

**VIRGINIA ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

**Item 17t, Integration/Merger Clause.** With respect to franchises governed by Virginia law, the following supersedes Item 17t:

	Provision	Article in Franchise Agreement	Summary
t.	Integration/merger clause	Article 16.B	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law.) No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the Franchise Disclosure Document.

**Item 17, Additional Disclosure.** In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Franchisor for use in the Commonwealth of Virginia shall be amended as follows:

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

**ADDENDUM TO THE FRANCHISE AGREEMENT  
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated \_\_\_\_\_ between Restoration Specialties Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Washington; (b) Franchisee is a resident of the State of Washington; and/or (c) the Franchised Business will be located or operated in the State of Washington.
2. The State of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.180 (“Act”), which may supersede the Franchise Agreement in Franchisee’s relationship with Franchisor including the areas of termination and renewal of your franchise. There also may be court decisions which may supersede the Franchise Agreement in your relationship with Franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration involving a franchise purchased in the State of Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
4. In the event of a conflict of laws, the provisions of the Act shall prevail.
5. A release or waiver of rights executed by Franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.
6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
7. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR: RESTORATION SPECIALTIES FRANCHISE GROUP, LLC

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Its: \_\_\_\_\_



**EXHIBIT G**

**Receipts**









