



## FRANCHISE DISCLOSURE DOCUMENT

PuroSystems, Inc.  
A Florida Corporation  
6001 Hiatus Road, Suite 13  
Tamarac, FL 33321  
800-775-7876 or 954-722-6618  
[www.purosystems.com](http://www.purosystems.com)  
[www.PuroClean.com](http://www.PuroClean.com)  
[www.PuroCleanopportunity.com](http://www.PuroCleanopportunity.com)

We offer a PUROCLEAN<sup>®</sup> Franchise Business which provides: (a) drying remediation, mitigation and cleaning services along with structure repair on property casualty losses and related forms of property damage; and (b) purification remediation, mitigation and cleaning of HVAC systems, indoor air, structures, real property and personal property whether or not damaged by a casualty loss. You do not need any specific prior experience to operate a PUROCLEAN business.

The Initial Franchise Fee is \$37,500 for a Protected Office Location of up to 100,000 people. The total investment necessary to begin operation for a location of up to 100,000 people ranges from \$69,925 to \$98,875. This includes \$37,500-\$77,500 that must be paid to us. The amount you pay to us will depend on whether you lease the Supplies and Equipment Package from a third party or purchase the Supplies and Equipment Package from our affiliate. (See Items 5 and 6.)

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

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 Maria Hernandez at 6001 Hiatus Road, Suite 13, Tamarac, Florida 33321, (800) 775-7876.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A

*Consumer's Guide to Buying a Franchise,*” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Effective Date: February 27, 2008.

## 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 B for information about the franchisor, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO ARBITRATE AND LITIGATE ONLY IN FLORIDA. OUT OF STATE ARBITRATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE OR LITIGATE WITH THE FRANCHISOR IN FLORIDA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF FLORIDA GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. LOCAL LAW MAY SUPERSEDE CERTAIN FRANCHISE AGREEMENT PROVISIONS. YOU MAY WANT TO COMPARE THESE LAWS.
3. CERTAIN STATES REQUIRE FRANCHISORS TO MAKE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. IF APPLICABLE, THESE ADDITIONAL DISCLOSURES WILL BE FURNISHED TO YOU IN EXHIBIT F TO THIS DISCLOSURE DOCUMENT.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: February 27, 2008

Registration State Effective Date: See following page.

**PUROSYSTEMS, INC. FRANCHISE DISCLOSURE DOCUMENT**

**EFFECTIVE DATES**

<u>STATE</u>	<u>EFFECTIVE DATE</u>
CALIFORNIA	February 29, 2008
FLORIDA	February 28, 2008
HAWAII	March 21, 2008
ILLINOIS	February 28, 2008
INDIANA	March 30, 2008
MARYLAND	_____, 2008
MICHIGAN	February 28, 2008
MINNESOTA	February 29, 2008
NEW YORK	March 17, 2008
NORTH DAKOTA	March 19, 2008
RHODE ISLAND	March 18, 2008
SOUTH DAKOTA	February 28, 2008
UTAH	February 26, 2008
VIRGINIA	April 7, 2008
WASHINGTON	February 28, 2008
WISCONSIN	February 28, 2008
FTC	February 27, 2008

**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.**

**PUROSYSTEMS, INC.**

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**List of Exhibits**

- A. List of Franchisees
- B. List of State Agencies and Administrators
- C. Audited Financial Statements
- D. Table of Contents for Manuals
- E. Franchise Agreement
- F. State Addenda
- G. Franchise Compliance Certification
- H. Affidavit
- I. Collateral Assignment of Telephone Number
- J. Enterprise Fleet Leasing Agreement
- K. Receipts

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

The Franchisor

PuroSystems, Inc. (“we”, “us” or “our”) was incorporated in the state of Florida on October 3, 1990, under the name Purofirst International, Inc. Our name was changed on December 31, 2002. We maintain our principal place of business at 6001 Hiatus Road, Suite 13, Tamarac, Florida 33321. We conduct our business under our corporate name only. We do not maintain a sales office at any location other than our principal place of business.

Since 1991, we have offered franchises for the establishment of businesses that operate restoration and construction services and other related services and products for fire, water and other forms of property casualty damage and since 1999 certain non-casualty related cleaning and purification, under the trademark PUROFIRST®. We no longer offer franchises under the PUROFIRST mark. In 2001, we began to offer an alternate type of franchise, under the trademark PUROCLEAN® (the “Franchise Business”), to supply drying, repair, cleaning, mitigation, remediation and related services. We do not own or operate businesses of the types being franchised. We no longer offer franchises in any other line of business. At this time we do not provide training or equipment for certain purification services, but we may do so in the future.

Our agents for service of process are listed in Exhibit B.

Our Predecessors and Affiliates

Before our incorporation, Purofirst, Inc., a Florida corporation incorporated on June 1, 1986, sold consulting services and products to dealers under the service mark “PUROFIRST”, of which seven such dealer relationships currently remain. Purofirst, Inc. maintains its principal place of business at 6001 Hiatus Road, Suite 13, Tamarac, Florida 33321. Purofirst, Inc. ceased to enter into these relationships in 1990, and today provides only the right to use the mark “PUROFIRST,” consulting services and products to these dealers.

We do not have any predecessors. We have five affiliates, PuroSystems Products, Inc. (formerly PuroClean, Inc.), a Florida Corporation which maintains its principal place of business at 6001 Hiatus Road, Suite 13, Tamarac, Florida 33321; Molly Maid, Inc., (“Molly Maid”), a Michigan corporation located at 3948 Rancho Drive, Ann Arbor, Michigan 48108; 1-800-DryClean, LLC (“1-800-DryClean”), a Michigan limited liability company located at 3948 Rancho Drive, Ann Arbor, Michigan 48108; and Mr. Handyman International, LLC (“Mr. Handyman”), a Michigan limited liability company located at 3948 Rancho Drive, Ann Arbor, Michigan 48108.

PuroSystems Products, Inc. (“PuroSystems Products”) supplies equipment and products to our franchisees and dealers as further described in Item 8.

Service Brands International, LLC (“SBI”), a Michigan limited liability company which maintains its principal place of business at 3948 Rancho Drive, Ann Arbor, Michigan 48108, is the parent company of Molly Maid, 1-800-DryClean, and Mr. Handyman. SBI, Molly Maid, 1-800-DryClean, and Mr. Handyman are our affiliates through partial common ownership as



described in Item 2. Molly Maid offers residential cleaning and service franchises in the United States. As of December 31, 2007, Molly Maid had 409 franchises in the United States and Puerto Rico. 1-800-DryClean offers franchises for professional and reliable dry cleaning pick-up and delivery service. As of December 31, 2007, 1-800-DryClean had 120 franchises in the United States. Mr. Handyman offers franchises which provide business and residential maintenance and repair services in the United States and Canada. As of December 31, 2007, Mr. Handyman has 272 franchises in the United States and 10 franchises in Canada.

SBI, Molly Maid, 1-800-DryClean, and Mr. Handyman do not control the day-to-day activities of PuroSystems, Inc.

### The Franchise Offered

If you receive our approval, you (individuals, partnerships, corporations, and the owners of partnerships and corporations will be referred to as “you” or “your”) will have the right to sign a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a PUROCLEAN business. A PUROCLEAN business provides drying, cleaning, painting, repair, mitigation, remediation, construction and replacement services and subcontract services to insurance companies, business and residential clients and others who have been subject to fire, flood, vandalism, trauma, mold and/or other casualties, as well as, purification, cleaning and odor removal services and products, all according to our established system whether or not casualty related. As a PUROCLEAN franchisee, you will provide all of the above services as well as, restoration, remediation, mitigation, construction, purification and other related services and products to businesses and residential clients whether or not insurance covers them. You may work out of your home (where permitted) or a new or existing place of business (the “Office”). Your Office must be located in your Protected Office Location (“POL”) as defined in Item 12. You will use most equipment, other than office equipment, from your van, which we recommend you lease in connection with the operation of the Franchise Business (See Item 7 for more information on your estimated initial investment). The Franchise Agreement grants you the right to use the trademarks, trade name, service mark, and commercial symbols associated with your Franchise Business as we now designate and as we may designate in the future (the “Proprietary Marks”) for use in the operation of the Franchise Business.

The market for the services and products you offer is developed or is developing. You will compete with other similar restoration services including other PuroClean franchisees, PUROFIRST franchisees, building and HVAC contractors, carpet cleaners, carpenters, building and remediation contractors and cleaning services.

### Industry-Specific Regulations

Where required by law, you must be a licensed building, remediation or HVAC contractor or be qualified by a licensed contractor. In some states you may also be required to have specialty licenses to perform certain aspects of the services that you will offer. For example, you may need to obtain a mold remediation, drywall removal, bactericide, biocide, or other similar license. If you do not have or are not qualified to have one or more of these licenses, you may be prohibited from performing these segments of the Franchise Business. You should investigate the existence of these laws in your state.

**ITEM 2**  
**BUSINESS EXPERIENCE**

**Founder, Chairman Emeritus: Richard D. Spohn**

Mr. Spohn served as President of PuroSystems, Inc. from November 1990 to November 2006. Mr. Spohn served as Treasurer and Director of PuroSystems, Inc. from 1990 to 2007. Mr. Spohn founded Purofirst, Inc. in 1986, and since that time has also served as its President. Mr. Spohn has been in the restoration business since 1981.

**Founder, Chairman, Secretary, Director: Rory O'Dwyer**

Mr. O'Dwyer joined PuroSystems, Inc. in November 1990 and served as Vice President from 1990 until 2004 and as President from 2004 until November 2006. He has been Secretary and Director since 1990. In 1987, Mr. O'Dwyer joined Purofirst, Inc. as Director of Field Training. In 1988 he became a part owner and Vice President of the company, directing his attention to sales and training. In 2004, Mr. O'Dwyer became President of Purofirst. Mr. O'Dwyer has been in the restoration business since 1976.

**Vice Chairman, Treasurer and Director: David G. McKinnon**

Mr. McKinnon joined PuroSystems, Inc. as a Treasurer and Director in January 2008. In 1984, Mr. McKinnon co-founded Molly Maid, Inc., located in Ann Arbor, Michigan. In 2000, Mr. McKinnon co-founded Mr. Handyman International, LLC and 1-800-DryClean, LLC, both located in Ann Arbor, Michigan. Mr. McKinnon serves as Chairman of the Board of Directors and Chief Executive Officer for Molly Maid and 1-800-DryClean. Mr. McKinnon also serves as Chairman of the Board of Directors for Mr. Handyman. From May 2004 to July 2007, he also served as Chairman of the Board of Directors and CEO for DUCTZ International, LLC, located in Ann Arbor, Michigan. From March 1998 to March 2006, he served on the Board of Directors of the International Franchise Association ("IFA"). In 2002 Mr. McKinnon received the IFA's prestigious honor of Entrepreneur of the Year.

**President and Chief Operating Officer: Keith Gerson, CFE**

Mr. Gerson joined PuroSystems, Inc. as President and Chief Operating Officer in November 2006. Before coming to PuroSystems, Inc. he was employed at AlphaGraphics in Salt Lake City, Utah as Vice-President of Sales, Marketing and Development from June 2001 to November 2006. Before AlphaGraphics, Mr. Gerson served as Senior Vice President of Sales, Marketing and Development at Harris Research, Inc. (Chem-Dry) in Logan, Utah from 1998 to 2001. From 1989 to 1998 Mr. Gerson was Senior Vice President of Worldwide Franchising and Licensing with Mrs. Field's World Headquarters in Park City, Utah and Regional Vice President of Operations with Foodmakers, Inc. (Jack-in-the-Box) located in Tukwila, Washington.

**Vice President Franchise Development: Charles (Monty) Smith, CFE**

Mr. Smith joined PuroSystems, Inc. as a Field Consultant in January 1994. In January 2004, Mr. Smith became our Vice President of Sales and Development. Mr. Smith's title

changed to Vice President Franchise Development in 2007. Mr. Smith has been in the restoration field since 1976 with the ServPro Franchise System as a franchisee from 1976 to 1990. From 1990 until 1994, Monty was a Sales Trainer and Consultant for several remodeling concepts in North Carolina.

#### **Vice President of Training and Technical Services: Will Southcombe**

Mr. Southcombe joined PuroSystems, Inc. as Director of Franchise Support in November 2004. In 2005 Mr. Southcombe's title changed to Vice President of Franchise Support and in February 2007 Mr. Southcombe was named Vice President of Training and Technical Services. From 2002 through 2004, he was the Director of Operations for ServiceMaster, Ltd. in the United Kingdom. Mr. Southcombe was the Assistant Operations Manager for PTC-Net (a claims management company serving the insurance industry, based in Atlanta, Georgia) from 2001 to 2002. Mr. Southcombe has been in the restoration industry since 1975 working for various ServiceMaster locations (Illinois, North Dakota, Germany, England) in various capacities including Area Operations Manager, Regional Manager, Operations Manager and Residential Marketing Coordinator.

#### **Vice President Sales/Support: Kelly DuPree**

Ms. DuPree joined PuroSystems, Inc. as Vice President of Sales/Support in January 2008. Before joining the PuroSystems, Inc. team, Ms. DuPree was employed at AlphaGraphics, Inc. in Salt Lake City, Utah as Senior Director of Integrated Sales and Marketing from March 2001 to January 2008. Prior to AlphaGraphics she was the Director of Sales for Omni Netherland Plaza in Cincinnati, Ohio from 2000 to 2001. From 1998 to 2000 she was the Director of Sales and Marketing for the Adams Mark Hotel in Kansas City, Missouri, and before that worked from 1984 to 1998 for the Dawson Companies in Scottsdale, Arizona.

#### **Director of National Marketing: Marci Kleinsasser**

Ms. Kleinsasser joined PuroSystems as Director of Marketing in February 2008. Before joining PuroSystems, Inc., Ms. Kleinsasser was employed with Coverall Cleaning Concepts as the Vice President, Marketing and Communications for the Global Support Center team located in Boca Raton, Florida, from 2000 to 2007. Prior to her role at Coverall Cleaning Concepts, Ms. Kleinsasser was the Director of Marketing and Public Relations for Benihana, Inc. from 1997 to 2000 in Miami, Florida. Ms. Kleinsasser was the Manager of Partnership Marketing for Alamo Rent A Car, Inc. located in Fort Lauderdale, Florida, from January 1997 to October 1997, the Director of Marketing for Kenny Rogers Roasters Corporation located in Fort Lauderdale, Florida, from 1995 to 1997, Account Supervisor at Tinsley Advertising, Miami, Florida, from 1992 to 1995, and a Regional Marketing Coordinator for Domino's Pizza, Inc. from 1989 to 1992 in Pompano Beach, Florida.

## ITEM 3 LITIGATION

### Franchisee Litigation

Purofirst International, Inc. vs. Steve Wall and L.T. Reddick American Arbitration Association (No. 32 1140026498). On August 4, 1998, we filed a demand for arbitration against our franchisees Wall and Reddick regarding their breach of contract and seeking damages in excess of \$175,000 and enforcement of post term obligations. On September 30, 1998 Wall and Reddick filed an action in the Seventh Judicial Circuit, Sangamon County, Illinois seeking a declaratory judgment invalidating the arbitration clause in the franchise agreement. On October 28, 1998 we filed a Notice of Removal with the United States District Court for the Central District of Illinois (No. 98-MR-292) contending jurisdiction by the United States District Court. At that time we filed a motion to dismiss. On January 26, 1999 United States District Judge Richard Mills granted our motion to dismiss thus sending the dispute to arbitration. On January 4, 1999 Wall and Reddick filed a counterclaim with the American Arbitration Association alleging breach of contract and common law fraud and seeking the return of the Initial Franchise Fee of \$27,500, return of royalties paid in the amount of \$24,034.46, costs, attorneys' fees and other relief. On January 18, 1999 we denied each and every allegation of breach of contract and common law fraud. On April 28, 1999 a Permanent Injunction by Consent where the Arbitrators ordered Wall and Reddick to refrain from competing in accordance with the contract, contacting existing customers, using confidential information, return all materials, telephone numbers and submit to an audit. On September 22, 1999 an arbitration hearing was conducted and we were further awarded \$240,105.88 which included damages and our cost and attorneys' fees. Wall and Reddick's counterclaim was denied. The arbitration panel also found that Wall and Reddick owed the American Arbitration Association \$16,638.26 in compensation, fees and expenses. On February 18, 2000, the Honorable Richard Mills, U.S. District Judge for the Central District of Illinois issued an order confirming the arbitration award of \$240,105.88 and a portion of the award, vacating \$2,196.26 for administrative fees and expenses and \$5,608.50 compensation to the arbitrators.

Purofirst International, Inc. vs. Ken Schalmo et al. American Arbitration Association (No. 321140017699). On June 14, 1999, we filed a demand for arbitration against our franchisee Ken Schalmo and related companies regarding a breach of contract and seeking damages in excess of \$75,000 and seeking certain injunctive relief. On July 1, 1999 Schalmo filed suit in Court of Common Pleas, Stark County, Ohio (case no. 1999CV01473) asking the Court to find the contract was void. On July 29, 1999 we filed a Notice of Removal with the United States District Court for the Northern District of Ohio (No. 599CV1821) contending jurisdiction by the United States District Court. We also filed a motion stay the proceeding pending arbitration. We also filed a motion to vacate an order by the Court of Common Pleas staying arbitration based on the lack of jurisdiction. Both motions were denied. The Notice of Removal was granted. A settlement hearing was held on September 21, 1999 in chambers at the U.S. District Court in which the parties agreed to settle all claims by Ken Schalmo et al paying us \$60,000. The Judge then dismissed the District Court action with prejudice.

Purofirst International, Inc. vs. LBCL and H. Keith Cudmore (American Arbitration Association no number assigned) On October 25, 1999 we filed a demand for arbitration against our

franchisee and Mr. Cudmore alleging various breaches of the franchise agreement and seeking damages over \$75,000, an accounting and injunctive relief. As of this date and without action by the AAA the franchisee has agreed to permit an audit of the books. On April 20, 2000 this case was settled by an agreement that the franchisee pay us \$25,000 and that the franchise agreement be terminated.

Purofirst International, Inc. vs. Dale Buckingham (case # 32E1140002800 American Arbitration Association) On January 18, 2000 we filed a request for arbitration with our franchisee alleging breach of the franchise agreement by failing to pay royalties, failing to allow an audit and failing to provide documentation. In April 2000 Buckingham counter claimed that we were in breach of contract by not supplying estimating software. We denied the counterclaim. The case was settled and the defendant paid us the total amount owed.

Purofirst International, Inc. vs. Blaine Oney (case no. 02-60526 United States District Court, Southern District of Florida) On April 16, 2002 we filed a law suit claiming Lanham Act, unfair competition and other violations by Oney. Shortly thereafter Oney requested that the matters be arbitrated and we agreed and filed for arbitration. Oney filed a counter claim alleging breach of contract. On November 13, 2002, the issues were settled during mediation and Oney agreed to pay us \$130,000 for a release from a covenant not to compete and enter a consent injunction prohibiting Oney from trade mark infringement. The counter claim against us was dismissed.

Purofirst International, Inc. vs. John A. Fries Construction, Inc. et al. (case no. 2002-ca-6586-nc Circuit Court Twelfth Judicial Circuit Sarasota County, Florida) On May 6, 2002 we filed a lawsuit seeking injunctive relief relating to the post term obligations and unfair competition, trademark infringement and other counts against the defendant parties. Shortly thereafter the defendants filed a motion to compel arbitration and filed a counter claim alleging breach of contract. On March 4, 2003 this case was settled and a consent injunction and final order was entered into prohibiting the defendants from using our proprietary trade marks, making disparaging remarks, etc. and John Fries Construction, Inc from engaging in a competitive business until August 16, 2003. The defendants agreed to pay us \$25,000.

Double Gold, Inc et al vs. Purofirst International, Inc. et al (case no. 02019443 Circuit Court Seventeenth Judicial Circuit Broward County, Florida) On October 14, 2002 Plaintiffs filed suit against us alleging interference with contract rights, breach of contract and other counts. On November 4, 2002 we filed a motion for summary judgment or in the alternative, a stay pending arbitration. On November 26, 2002 Honorable John Miller denied Plaintiffs motion for a temporary injunction and granted our motion for a stay pending arbitration. Plaintiffs then filed for arbitration seeking a million dollars and we countered claiming alleging tortious interference and seeking \$250,000. On May 16, 2003 this suit and the suit listed below (case no. 03-1273) was settled during mediation with the franchisee Plaintiff paying us \$112,500, release of the covenant not to compete, termination of the franchise agreement, and mutual releases of the Plaintiff and all Defendants.

Double Gold, Inc et al vs. Purofirst International, Inc. et al (case no. 03-1273 Court of Common Pleas of Cumberland County, Pennsylvania) On March 24, 2003, Plaintiffs filed a suit against us, a franchisee and two of our employees alleging fraud, injurious falsehood and intentional interference with contractual relations. Plaintiffs seek \$25,000 on each count. This case was

dismissed settled as part of the settlement described above in the Double Gold action venued in Florida.

PuroSystems, Inc. vs. Purofirst of Monmouth County (case number not given Superior Court of New Jersey, Monmouth County) On July 21, 2003, we filed a suit to recover \$18,955 in past due royalties. The defendants counterclaimed alleging breach of contract. The case resulted in a settlement, which included a payment by defendant and termination of the franchise agreement. We were granted a Consent Judgment and Permanent Injunction by the U.S. District Court for the District of New Jersey under the Lanham Act.

### **Franchisor-Initiated Litigation**

During the last fiscal year, we filed the following three actions against franchisees:

Royalty Collection and Enforcement of Noncompetition Agreements:

PuroSystems, Inc. v. Lea J. Panitz, International Institute for Conflict Prevention and Resolution, no arbitration case number assigned. Filed October 24, 2007.

PuroSystems, Inc. v. Darrin Saffel, International Institute for Conflict Prevention and Resolution, no arbitration case number assigned. Filed September 28, 2007.

Enforcement of Arbitration Award:

PuroSystems, Inc. v. John S. Fralc, D. Ariz., Case No. 4:07-cv-00298-FRZ, Filed June 22, 2007.

Other than the 12 actions listed above, no litigation is required to be disclosed in this Disclosure Document.

## **ITEM 4** **BANKRUPTCY**

No person previously identified in Item 1, nor officer identified in Item 2 of this Disclosure Document, has been involved as a debtor in a proceeding under the US Bankruptcy Code or under the laws of any foreign nation relating to bankruptcy that is required to be disclosed in this Item.

## **ITEM 5** **INITIAL FEES**

1. Initial Franchise Fee. Upon signing of the Franchise Agreement, you must pay to us an Initial Franchise Fee in the amount of \$37,500. The Initial Franchise Fee is fully earned upon receipt and nonrefundable in consideration of administrative and other expenses incurred by us in entering into the Franchise Agreement, and for our lost or deferred opportunity to enter into the Franchise Agreement with others.

We participate in the International Franchise Association's VetFran Program and offer qualified individuals honorably discharged from any branch of the U.S. Military and who request

it at time of signing of the agreement a \$2,500 discount off the Initial Franchise Fee. We also give certain credits for training to existing franchisees that purchase more than one franchise and who would not require initial training.

During our fiscal year ended December 31, 2007, we collected Initial Franchise Fees that ranged from \$32,500 to \$35,000.

2. Initial Supplies and Equipment Package. You also must obtain an initial package of inventory, equipment, and supplies from us or our affiliate (the “Supplies and Equipment Package”). We strongly recommend that you lease these items through an unrelated third party finance company. See Items 7 and 8. The costs associated with leasing these items is approximately \$3,300, which represents an estimate of the monthly lease payments for a period of three months. If you buy (rather than lease) the Equipment and Supplies Package, then you will pay our affiliate \$40,000 for the Equipment and Supplies Package, which excludes freight and sales tax.

The above described payments are the only payments which you make to us or our affiliate for goods or services provided before you begin operating your PUROCLEAN® business.

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

<b>Name of Fee</b>	<b>Amount</b>	<b>Date Due</b>	<b>Remarks – See Note 1</b>
Royalty Fee	See Note 2	8th day of each month on Gross Receipts for the prior month	Gross Receipts means all revenue and income of every kind relating to the operation of the Franchise Business (including deposits and interest and any revenue or income you receive from the sale of unapproved supplies, services or materials). Does not include taxes collected by the Franchise Business on behalf on the government.
Optional Training Program Fee	See Note 3	Before training	If you attend an optional program, course, or seminar, we may charge you a fee.
Transfer Fee	\$20,000 or the then-current Transfer Fee at the time of the transfer	Before transfer	Payable by the transferee, although any sales referral fee is paid by Franchisee.

<b>Name of Fee</b>	<b>Amount</b>	<b>Date Due</b>	<b>Remarks – See Note 1</b>
Accounting Fee	Cost of Accountant	As incurred	See Note 4
Administrative & Bank Fees	Actual Bank Fees plus \$25.00	As incurred	INSUFFICIENT FUNDS FEES & Verification of Balance Fees
Audit by Franchisor	Cost of Audit	As incurred	Required if audit reveals understatement of Gross Receipts by 5% or more in any month.
Indemnification	Will vary under circumstances	15 days after billing	You must reimburse us if we are held liable for claims from your operation of the Franchise Business
Late Fee	Greater of \$10 or 5% per day of Royalty Fee due	If funds are not available by the 14 <sup>th</sup> day of the month	Payable on overdue Royalty Fees
Taxes and Fees	Federal, State, or local taxes	As incurred	See Note 5
Yellow Pages and Local Advertising	Minimum 1/4 page display ad and 2% of Gross Receipts on local advertising and promotion	As agreed	See Note 6
Marketing Fee	2% of Gross Receipts	Same day as Royalty Fee	See Note 7
Annual National Convention Registration Fee	\$500 to \$1,000 per year	30 days before Convention	See Note 8
Minimum Purchase Requirements	\$2,500 per year	As incurred	See Note 9
Telephone Fee	\$40 per telephone number per month	As agreed	See Note 10
Software	\$0 to \$450	As agreed	See Note 11

**Notes:**

1. All fees are imposed and collected by, and are payable to us, except as noted herein. All fees are nonrefundable.



2. Each month you must pay a “Royalty Fee” equal to the greater of the “Actual Royalty Fee” or the “Minimum Royalty Fee” as defined below.

a.) The Actual Royalty Fee will be computed as follows:

<b>On Increment of Monthly Gross Receipts</b>	<b>You Pay</b>
For your first \$0 to \$19,999.99 of Gross Receipts	10%
For your next \$20,000 to \$39,999.99 of Gross Receipts	9%
For any remaining Gross Receipts of \$40,000 and over	8%

b.) The Minimum Royalty Fee will be determined by the following chart:

Period of Term	You Pay
1 <sup>st</sup> year	\$400
2 <sup>nd</sup> year	\$1,000
3 <sup>rd</sup> year	\$1,500
4 <sup>th</sup> year	\$2,500
5 <sup>th</sup> year	\$2,500
6 <sup>th</sup> – 20 <sup>th</sup> year	Prior year plus CPI

For each year over the initial five years or for each year after the last year that there was a set Minimum Royalty, the monthly Minimum Royalty Fee will be determined by the prior year’s monthly Minimum Royalty Fee, plus an amount equal to the percentage change in the Consumer Price Index, all Urban Consumers (1982-84 = 100), published by the U.S. Department of Labor, Bureau of Labor Statistics (“CPI”) for the period from January 1 through December 31 of the year immediately prior to the upcoming year or renewal year of the Franchise Agreement.

In any calendar year, once you have paid Royalty Fees equal to or greater than the Total Minimum Royalty Fees for that year, we will waive further Minimum Royalty Fees for that year. This waiver is conditional upon you paying all Royalty Fees when due and not being in default under the Franchise Agreement. Actual Royalty Fees are, however, always required to be paid in full each month and are never waived. Once an Actual Fee or Minimum Fee is paid, it is neither refundable nor creditable to any future or past fees owed. Also included in Royalty Fee are bank charges and \$25 per time for verifying funds availability.

3. We may charge each individual a fee for attending any optional or additional training seminars. There is no fee for you to attend our initial training program (see Item 11). If the seminar is held away from our Florida training center, that fee is determined by dividing the expenses (including salaries) we incur to travel to and stay at the site of the seminar by the number of seminar attendees. If, however, specific sales and marketing training is included in

the seminar training, our training expenses may be paid out of the Marketing Fund or may be paid by you.

4. You are required, at your expense, to employ a competent accounting firm to produce monthly financial statements.

5. You are required to pay to us (or any subsidiary, affiliate, or designee) promptly and when due the amount of all sales taxes, use taxes, personal property taxes, filing fees or document stamps and similar taxes imposed upon, required to be collected, or paid by us on the account of services or goods furnished by us to you through sale, lease, loan or otherwise or on account of collection by us of the Initial Franchise Fee, Actual or Minimum Royalty Fee or any other payments to us pursuant to the Franchise Agreement.

6. You must spend at least 2% of your monthly Gross Receipts on documented local advertising and promotional activities which include but are not limited to direct-mail, list acquisition, trade advertising, continuing education courses for agents spent for the direct benefit of your franchise. Expenditures for wages and referral fees will not count toward your local advertising requirements. In addition, you must maintain, at your sole expense, a minimum of a 1/4 page display ad in a category of our choosing in the locally predominate yellow page book as established by our designated yellow page media agency. We may at our sole option and under unique circumstances permit you to modify downward the size of the yellow page ad. You must use our approved yellow page media agency and pre-approved ads. We also may require you to participate in shared yellow page advertising with other franchisees for an ad that exceeds the required ad size minimum if we believe it will help establish a larger overall presence in a particular market. See Item 11 for more information on marketing.

7. You must pay a Marketing Fee of 2% of Monthly Gross Receipts. See Item 11 for more information on the Marketing Fee. Marketing Fees will be collected by means of ACH and are due at the same time as Royalty Fees.

8. We have the right but not the obligation to hold an Annual National Convention ("Convention"). If we do hold a Convention you must attend and pay us a registration fee. The registration fee for our last Convention was \$500 but we have the right to increase the registration fee. The registration fee does not include your costs to attend the Convention such as transportation, lodging and meals. We will pay your registration fee for your first Convention provided that you attend within your first 18 months of operation.

9. You must purchase, at a minimum, \$2,500 per year of consumable branded products or equipment from our affiliate, PuroSystems Products, Inc. This minimum amount will be increased once per year based upon the CPI.

10. We may require you to use a telephone number, email address, facsimile number, and other types of internal and external communication which may be owned and controlled by us. You will pay a third party supplier for these services.

11. You must purchase and use the CRM Contact Management Solution program we designate. Currently, Sugar Professional is the CRM Contact Management Solution program we require. The cost for the Sugar Professional program is between \$0-\$450 per year. Within 60

days after receiving written notice from us, you also must purchase the Systino web-based software program. We will provide you with 60 days advance written notice prior to requiring you to purchase the Systino software. The cost of the Systino software is \$25 per month (\$300 per year). We may pay your cost for the Systino software program from the Marketing Fund or it may be paid by you.

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

<b>Expense</b>	<b>Estimated Cost</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Made</b>
Initial Franchise Fee - (see Note 1)	\$37,500 (see Note 1)	Lump Sum	Upon Signing of Franchise Agreement	Franchisor
Van (see Note 2)	\$2,100	As Incurred – first 3 months	30 Days Before Opening	Enterprise Fleet Lease or Other
Initial Equipment and Supplies Package (see Note 3)	\$3,300	As Incurred— first 3 months	30 Days Before Opening	Franchisor Or Leasing Company
Freight (see Note 4)	\$0 to \$3,500	As Incurred	30 Days Before Opening	Franchisor
Insurance Premium (see Note 5)	\$4,000 to \$6,000	As Incurred – 3 month range	One Week Before Opening	Insurance Agent
Office Furniture (see Note 6)	\$0 to \$2,200	Lump Sum	15 to 30 days Before Opening	Suppliers
Office Supplies (see Note 6)	\$100 to \$300	As Incurred – 3 month range	15 to 30 Days Before Opening	Suppliers
Telephone & Utility Deposits and Fees (see Note 7)	\$925 to \$1,525	As Incurred	As Required	Utility Companies
Professional Fees (see Note 8)	\$0 to \$500	As Incurred – monthly	As Required	Professionals
Uniforms (see Note 9)	\$200 to \$500	As Agreed	As Required	Suppliers
Opening Advertising and Marketing Materials	\$0 to \$2,200	As Incurred – 3 month range	As Required	Suppliers
Training Expenses (see Note 10)	\$2,500 to \$3,000	As Incurred	As Required	Third Parties

<b>Expense</b>	<b>Estimated Cost</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Made</b>
Facility Rent	\$0 to \$2,500	Lump Sum	As Required	Landlord
Business Licenses (see Note 11)	\$0 to \$550	Lump Sum	As Required	Governmental Licensor
Computer and Printer	\$1,200 to \$2,500	Lump Sum	30 Days Before Opening	Third Parties
Software (Note 12)	\$0 to \$450	As Incurred – 3 month range	As Required	Suppliers
Camera	\$100 to \$250	Lump Sum	30 Days Before Opening	Third Parties
Additional Funds (see Note 13)	\$18,000 to \$30,000	As Needed – 3 month range	As Required	Third Parties
<b>TOTAL</b>	<b>\$69,925 to \$98,875</b>			

Unless otherwise noted, all amounts are nonrefundable.

Notes:

1. See Item 5 for more information on the Initial Franchise Fee.
2. To ensure that the system wide vehicle fleet is well kept and to project the highest brand standards, we require you to use a standardized vehicle package for the start-up operation of the Franchise Business, which must be leased from Enterprise Fleet Leasing Company (See Exhibit J). The approved van will come with a full shelving package, van decaling of our specifications, other valued features and optional insurance and maintenance offerings. The lease term is 48 months and at the end of the lease Enterprise will sell the van on the open market and you will receive the proceeds less any fees that you may owe. The resale price of the van will depend on many factors including its condition, odometer reading and re-sale market. The van payment shown in the initial investment chart is for 3 months which is the initial phase for the Franchise Business.
3. We strongly recommend that you lease your initial Equipment and Supplies Package from an unrelated third party. The amount in the above chart represents an estimate of the monthly lease payments for a period of 3 months which is the initial phase for the Franchise Business. You may or may not be required to pay a portion of the lease as a down payment. The Equipment and Supplies Package includes, among other items, dehumidifiers and other drying and cleaning equipment, carpet cleaners and an initial supply of cleaning products. The third party lessor will acquire these items from our affiliate PuroSystems Products and then lease them to you. Under certain circumstances

and if you request, we may permit you to purchase the Equipment and Supply Package directly from our affiliate.

The actual amount due at inception of a lease will depend on your credit history and rating. Depending on the type of lease you choose, you may owe additional amounts at the end of the lease term. If you buy (rather than lease) the Equipment and Supplies, then the amount you pay to our affiliate is \$40,000, which excludes freight and sales tax.

The initial package does not include certain equipment and products necessary for you to perform certain services that are not yet offered by the Franchise Business, but may be in the future. You will be given a reasonable time to purchase or lease equipment needed for any such future services.

4. The freight charge will be the actual cost of shipping the Equipment and Supplies Package to a new franchisee.
5. The amount in the above chart represents an estimate of the monthly insurance premium payments for a period of three months which is the initial phase for the Franchise Business. Average annual expenses range from \$13,000 to \$19,000. You may be required to pay the entire annual premium initially or a portion as a down payment. These figures do not include Worker's Compensation Insurance. Worker's Compensation Insurance is calculated on the amount of your annual payroll and is rated by each individual State and by individual employee categories and therefore there may be a large variation in premiums.
6. Supplies you will need include office furniture, calendar, stationery, and other general office supplies. The amount of office supplies identified in the chart represent an estimate of the monthly expenses for the initial phase of 3 month.
7. You will be required to pay telephone and utility deposits. The amount of the deposits will depend on the practices of the utility companies and the lessor. The amount in the above chart represents an estimate range of the monthly payments for the initial phase of 3 months for an office or rental facility.
8. You may elect to consult the services of an accountant, attorney or other professional service provider.
9. At your sole expense, your technical employees and sales staff are required to wear the standard PuroClean uniforms leased or sold to you by us or one of our approved vendors or by an alternative uniform service of your choice who is able to supply the required uniforms. Current charges are averaging \$100-\$250 per employee which initially includes one technician and owner.
10. You will incur expenses associated with our initial training program. For this training program, we provide instructors and instructional materials, but you will need to arrange and pay for transportation, lodging, and food for yourself and any employees, and for any wages for the employees. The cost will depend on the distance you must travel to the

training location, the type of accommodations you choose, and the number of people who attend training.

11. As stated in Item 1, some states (or other governmental bodies) require you to obtain a license before beginning operations. The specific requirements and the costs of the license will vary.
12. You must purchase and use the software we require. Currently, we require our franchisees to use the Sugar Professional CRM Contact Management Solution program, Puro 360, and Zeewise. Within 60 days of receiving written notice from us, you also must use the Systino web-based software program. The cost for the Sugar Professional CRM Contact Management Program is approximately \$0-\$450, depending on the program you select. We do not charge you to use Puro 360 or Zeewise. The cost of the Systino software is \$25 per month (\$300 per year). We may pay for our franchisees to use the Systino software from fees collected through the Marketing Fund.
13. You will need capital to support ongoing expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount stated will be sufficient to cover ongoing expenses for the initial phase of operating the Franchise Business, which we calculate to be 3 months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during or after this initial phase. We relied on our 20 years in the business to compile the amounts included in the chart. However, all figures are estimates. We have not calculated sales tax or any other type of tax or fee that may be levied in connection with the purchase of this franchise or any of the items listed above. You should review these figures carefully with an independent business advisor before making any decision to purchase the franchise.

## **ITEM 8**

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

You must obtain your initial Equipment and Supplies Package of restoration, remediation, mitigation and purification equipment and products (i.e. drying, remediation and cleaning equipment and chemical products) before operating your Franchise Business. Our affiliate PuroSystems Products is the only approved supplier of the items included in the Equipment and Supplies Package, although if you lease the Package, you will lease these items from an unrelated third party, all as further described in Item 7. As described below, you also must purchase replacement or additional products and equipment from PuroSystems Products. As of the date of this Disclosure Document, PuroSystems Products is the only approved source for restoration products and equipment, and we do not have any obligations to you to appoint additional sources. In the year ending December 31, 2007, we had no income from the sale of the Equipment and Supplies Package. However, during 2007 our affiliate PuroSystems Products received revenue of \$2,398,962 from the sale of initial Equipment and Supplies Packages and \$950,292 from the sale of restoration products and equipment according to its unaudited financial statements.

During the first 18 months following the effective date of the franchise agreement, and for each calendar year thereafter, you must purchase a minimum of \$2,500 of consumable

branded products or equipment from PuroSystems Products. We may conduct a review of your purchase history to ensure your compliance with the minimum purchase requirements. This minimum purchase amount will be increased each year according to the Consumer Price Index. All products, equipment and supplies used and offered for sale by you in the Franchise Business must meet our then-current standards and specifications, including but not limited to branding requirements (including our color and label requirements) as established in the Manuals or otherwise in writing. As noted in the previous paragraph, you must purchase all products and equipment solely from our affiliate or, in certain instances, from suppliers who demonstrate to our continuing satisfaction, the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. We also may identify certain products you must use without reference to a particular manufacturer. For example, at this time we require that you use Low Grain Refrigerant Dehumidifiers and no other type. We also require you to use the Sugar Professional CRM Contact Management Solution program, and, within 60 days after receiving written notice from us, you must use the Systino web-based software program. We reserve the right to change these requirements and you will be responsible, at your expense to make the changes. Our affiliate derives revenue from the sale or lease of equipment and products to you by selling the products at an amount that is more than its cost. Generally, the price is less than the manufacturer's suggested retail price.

Except for the initial Equipment and Supplies Package and the PuroSystems' branded products and equipment you must purchase from us or an affiliate on an ongoing basis the products and equipment needed to operate your Franchise Business. If you wish to purchase products or equipment from other suppliers, you must submit to us a written request to approve the proposed supplier, together with the evidence of conformity with our specifications as we may reasonably require. For example, certain equipment and uniforms must be of a specific model and color. We will have the right to require you to permit our representatives to inspect the supplier's facilities, and that you deliver samples from the supplier for evaluation and testing either to us or to an independent testing facility that we designate. We may charge you an amount not to exceed the reasonable cost of the evaluation and testing. We must, within 30 days after our receipt of the completed request and completion of the evaluation and testing (if required), notify you in writing of our approval or disapproval of the proposed supplier. We will not unreasonably withhold approval. You must not sell or offer for sale any products nor use any equipment of the proposed supplier until you receive our written approval of the proposed supplier. If you sell or offer any unapproved products, services or supplies in violation of the Franchise Agreement, you must include any revenue or income you receive from the sale of unapproved products, services or supplies in your Gross Receipts. We may revoke our approval of particular products, equipment, or suppliers when we determine that such products, equipment, or suppliers no longer meet our standards. Upon receipt of written notice of our revocation of approval, you must cease to use or sell any disapproved products and cease to purchase from any disapproved supplier. We currently do not have specific criteria for supplier approval, except that each supplier must require each manufacturer of equipment or supplies to name us as an additional named insured on a liability insurance policy in the amount of two million dollars (\$2,000,000.00) or more at no cost to us. The cost of supplies and equipment purchased from our affiliate or in accordance with our specifications will represent approximately 50% of your total purchases in connection with the establishment of your business, and less than 5% of your total purchases in the operation of your business.

We may require you to use a telephone number, email address, facsimile number and other types of internal and external communication which are owned and controlled by us. You will pay a third party we designate for these services.

You must conduct all advertising and promotional activities either through our designated advertising agents or according to our requirements, as set forth in the Manuals or otherwise in writing or on our Intranet Support site. You must not use any advertising or promotional materials until you have received written approval from us. You must submit samples of all advertising and promotional plans and materials to us, for our prior approval if the plans and materials have not been prepared or previously approved by us. If you have not received written notice of disapproval within 15 days after our receipt of the materials, we will be deemed to have approved them. You must spend 2% of your annual Gross Receipts on local advertising, maintain a required yellow pages ad and pay to us a 2% Marketing Fee.

You must procure and maintain during the term of the Franchise Agreement, the types and amounts of insurance covering the operation of the Franchise Business and the Office from insurance carriers reasonably acceptable to us. The cost of insurance purchased in accordance with our specifications will represent approximately 1% of your total purchases in connection with the establishment of your business, and 2% of your total purchases in the operation of your business. These percentages do not include worker's compensation insurance, which will vary with the payroll amount and category of employees. Worker's compensation insurance may range from as little as 10% to as high as 25% of payroll. Of your total purchases and leases that must conform to our specifications, we estimate that 80% will be purchased from us, in connection with the establishment of your Franchise Business. Of your total purchases and leases that must conform to our specifications, we estimate that 10% will be purchased from us.

We may negotiate purchase and lease arrangements with suppliers for the benefit of the System, but not on behalf of individual franchisees. Currently, we have arrangements with ten suppliers, including suppliers of paint and painting products, flooring, carpet, stationery, insurance, software, ASP, vehicle leases and uniforms. Neither we nor our affiliates receive payments, rebates or other consideration from these suppliers except as set forth in this Item 8. Specifically, we currently receive a rebate of \$1,450 at the 36th month of your lease from Enterprise Fleet Leasing. If 60 or more vehicles are leased, we will receive a fully equipped demonstration van at no charge. We also receive a rebate from PAI Services, LLC ("PayChoice") based on payments you make to PayChoice for payroll and tax processing and filing services (collectively "Payroll Services"). Specifically, we receive a 20% rebate on all payments you make to PayChoice for Payroll Services during the first year you use PayChoice. During the second and third years you use PayChoice, we receive a 10% rebate on payments you make to PayChoice for Payroll Services. All rebates are paid into our general revenue fund. We reserve the right to be compensated by a supplier for creating or maintaining a relationship or arrangement with approved or recommended suppliers.

You will pay the then-current price in effect for any approved supplies or products we identify. In some instances, the cost for the approved supplies or products may be higher than the cost of other similar supplies and products on the market.

There currently are no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms), for the benefit of the franchise



system. We consider a variety of factors when determining whether to renew or grant additional franchises. Among the factors we consider is compliance with the requirements described above.

**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>Section in Agreement</b>	<b>Items in Disclosure Document</b>
a. Site selection and acquisition/lease	§ 3 of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	§§ 7.4, 7.5, 7.6, and 7.7 of Franchise Agreement	Items 5, 7, and 8
c. Site development and other pre-opening requirements	§§ 3 and 7 of Franchise Agreement	Items 7, 8, and 11
d. Initial and ongoing training	§ 7.1 and 7.2 of Franchise Agreement	Item 11
e. Opening	None	Item 11
f. Fees	§§ 5 and 6 of Franchise Agreement	Items 5, 6, 7 & 10
g. Compliance with standards and policies/Operating Manual	§§ 7 and 9 of Franchise Agreement	Items 8, 11, and 14
h. Trademarks and proprietary information	§ 8 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	§§ 7.4, 7.5, 7.6 and 7.7 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	None	Item 11
k. Territorial development and sales quotas	None	Item 12
l. Ongoing product/service purchases	§§ 7.4, 7.5, 7.6 and 7.7 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	§ 7 of Franchise Agreement	Item 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Items in Disclosure Document</b>
n. Insurance	§ 7.11 of Franchise Agreement	Item 7
o. Advertising	§ 6 of Franchise Agreement	Items 6, 7, and 11
p. Indemnification	§ 10 of Franchise Agreement	Item 6
q. Owner's participation/ management/staffing	§§ 7.3 and 7.8 of Franchise Agreement	Item 15
r. Records/reports	§§ 5.3 and 7.4 of Franchise Agreement	Item 6
s. Inspections/audits	§§ 7.9 and 7.10 of Franchise Agreement	Items 6, 8, and 11
t. Transfer	§ 11 of Franchise Agreement	Item 17
u. Renewal	§ 2.2 of Franchise Agreement	Item 17
v. Post-termination obligations	§§ 13 and 14 of Franchise Agreement	Item 17
w. Non-competition covenants	§ 14 of Franchise Agreement	Item 17
x. Dispute resolution	§§ 17 and 20 Franchise Agreement	Item 17

**ITEM 10**  
**FINANCING**

We do not offer financing for the franchise fee or for the initial Supplies and Equipment Package either directly or indirectly. We do however refer you to potential sources of financing for the Initial Supplies and Equipment Package. We do not guarantee your note, lease or obligation to those sources. Other than the rebate from Enterprise Fleet Leasing described in Item 8, we currently do not receive a fee from any financing source; however, we reserve the right to do so in the future.

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

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

**Pre-Opening Obligations**

Before opening the Franchise Business, we must provide the following assistance and services to you:

1. Training at our location. (Franchise Agreement, § 4.2).

2. One copy of the Manuals (which may be supplied to you on computer disk, on our website or through print or other electronic media), on loan for the term of the Franchise Agreement, as more fully described below (Franchise Agreement, § 4.3).

3. Use of our trade and operating procedures and methods (which must be maintained in strict confidentiality) (Franchise Agreement, § 4.4).

We are not obligated by the Franchise Agreement or any other agreement to provide any other supervision, assistance or services before the opening of the Franchise Business.

### Continuing Obligations

During the operation of the Franchise Business, we must provide the following assistance and services to you:

1. Use of the Proprietary Marks and copyrighted materials during the term of the Franchise Agreement (Franchise Agreement, § 4.1);

2. Ongoing support and technical information by telephone, internet, intranet, ASP or other technology that may be available in the future (Franchise Agreement, § 4.5);

3. Marketing consulting (Franchise Agreement, § 4.6); and

4. Advertising consulting (Franchise Agreement, § 4.6).

### Marketing

In May 2007 we established a “Marketing Fund” into which you will contribute 2% of your Monthly Gross Receipts. The Marketing Fees will be paid in the same manner and at the same time as the Royalty Fee. We intend to use the Marketing Fund to build brand awareness and to provide marketing, advertising and promotional materials and services to benefit the System as well as conduct marketing, advertising or promotional campaigns for the System. We have temporarily capped (until January 1, 2010) the individual franchisee contribution to the Fund at a maximum of \$15,000 annually. If we establish company-owned PuroClean businesses we will pay into the Fund at the same rate as the franchisees. While not required, we also may contribute to the Marketing Fund from time to time. We will administer the Marketing Fund and will, at your written request, provide you with an annual unaudited statement of the receipts and disbursements of the Marketing Fund. We are not required to spend any particular amount on marketing, advertising, or promotion in the area where your Franchise Business is located. We may conduct up to one week of marketing training within the first 30 days of opening your Franchise Business without any cost to you. We have the right to receive an administrative fee to cover related sales promotion, marketing and administrative expenses. We will have no fiduciary duty to you with respect to the collection or expenditure of Marketing Fees, and the Marketing Fund will not be trust or escrow account. During our last fiscal year ending December 31, 2007, Marketing Fund income was spent in the following approximate amounts: 10% production, 27% media placement, 62% administration, 1% other. We or our affiliate may be reimbursed for administrative costs and overhead incurred in administering the Fund. We will not use the Fund

to advertise principally for franchise sales but we do reserve the right to add internet links, subset ads and other types of add-on advertising that would be used for selling franchises.

There is a franchisee advisory council known as the Network Leadership Council (“NLC”) which will also act as the Marketing Fund advisory council. Currently, the NLC is comprised of 10 franchisees that are appointed by us for a two-year term after which the NLC members will be elected by the franchise network. Franchise may appoint additional franchisees to serve on the NLC from time to time. As the PUROCLEAN system grows, however, we may form a different franchisee advisory council or advertising committee that will, in part, provide advice on advertising and promotional activities to us. We likely will retain the power to form, change or dissolve any franchisee advisory council established in the future.

As of the date of this Disclosure Document, we do not fund any advertising or marketing program for the products or the services offered by you. Although we are not contractually required to do so, we may make marketing material available to you.

Although we do not presently require, in the future we may require you to participate in a local or regional advertising cooperative. (Franchise Agreement, Section 6.2). The primary purpose of any cooperative will be to help establish a larger overall presence in a particular market. The Franchise Agreement does not provide and we do not currently have a plan for determining: 1) how the area or membership of the cooperative is defined; 2) who is responsible for administration of the cooperative; 3) whether the cooperative must operate from written governing documents; or 4) whether cooperatives must prepare annual or periodic financial statements. The Franchise Agreement does give us the power to require that cooperatives be formed, changed or merged.

You may use your own advertising materials so long as you obtain prior written approval of the proposed advertising materials from us. You must submit samples of all advertising and promotional materials to us for our prior approval of such plans and materials have not been prepared or previously approved by us. If written notice of disapproval is not received by you from us within 15 days of our receipt of such materials, we shall be deemed to have approved them. These materials must be directed to our Marketing Department.

We are not obligated to continue or add to any specific existing programs or other types of services nor are we obligated for future development of programs.

### Site Selection

You must operate the Franchise Business only from a location within the POL as described in the Franchise Agreement. You must select an Office only within the POL, which we must approve in advance. We will approve or disapprove the proposed site with 14 days of receiving notification from you as to the site. If the site selection cannot be agreed upon, there are no other consequences other than the Franchise Business cannot be operational. We do not provide you assistance in selecting a location for the Office. You must not relocate the Office without our prior written approval. (Franchise Agreement, § 3)

## Opening the Franchise Business

The length between the signing of the Franchise Agreement and the opening of the Franchise Business ranges from 30 to 120 days. Factors that affect this time period are the timely payment of fees, purchase of equipment and completion of training.

## Training

Our initial training program consists of fifteen days of classroom training which may not be consecutive. We will conduct this training either at our location in Broward County, Florida or in another location that we designate. We will conduct our initial training program as follows:

### **PUROSYSTEMS, INC. PUROSYSTEMS RESTORATION INSTITUTE**

#### **2008 Classroom Training Schedule**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Integrated Sales Training	16	4	Tamarac, Florida
Water Damage Restoration	16	6	Tamarac, Florida
Fire Damage Restoration	8	4	Tamarac, Florida
Mold Remediation	6	3	Tamarac, Florida
Carpet & Upholstery Restoration	3	3	Tamarac, Florida
Biohazard Remediation	2	0	Tamarac, Florida
Safety Program	2	2	Tamarac, Florida
Estimating & Pricing	12	8	Tamarac, Florida
Product and Equipment Orientation	4	2	Tamarac, Florida
Supplier Presentation	3	0	Tamarac, Florida
Business Management	12	0	Tamarac, Florida
Human Resources	4	0	Tamarac, Florida
<b>Total</b>	<b>88 hours 3 weeks</b>	<b>32 hours 1 week</b>	

It is not unusual for certain segments of the training to vary somewhat from what is shown above. Business requirements and other factors may result in changes to the schedule. We will attempt to give you advanced notice when this occurs.

We may conduct some of the initial training identified above through computer-based training or at other locations we designate.

Training materials will include the Manuals and use of equipment and supplies. We reserve the right to alter the training program to accommodate special circumstances.

Our Regional Sales Consultants may conduct initial field marketing training. We may provide field marketing training for up to five days following your initial classroom training. The initial field training will consist of industry standard office set-up and outside sales calls.

Mr. Will Southcombe, Vice President of Training and Technical Services, will direct our training program with assistance from Ms. Kelly DuPree, Vice President of Sales and Support, and Ms. Marci Kleinsasser, Director of National Marketing. Additional background information for Mr. Southcombe, Ms. DuPree and Ms. Kleinsasser can be found in Item 2. The initial training program will be conducted by members of our training staff who are familiar with the restoration industry and who have at least five years experience in various aspects of the restoration industry, building industry, support industry and/or have a college degree with coursework in business. The initial training program is mandatory and must be completed by you, if you are an individual, and, at our option, each of your principals owning 25% or more of the Franchise Business (if you are a corporation or partnership), and your manager (if you or a principal will not manage the Franchise Business). Training must be completed to our satisfaction before the opening of the Franchise Business.

For all required training courses, we will provide, at no charge to you, instructors and training materials. You or your employees will be responsible for all other expenses incurred by them in connection with any such courses, seminars, and programs including the cost of transportation, lodging, meals, and wages.

At our option, any manager subsequently employed by you must also complete our training program, to our satisfaction. You and your manager and other employees also must attend such additional courses, seminars, and other training programs as we may reasonably require from time to time. We may offer optional training programs, courses, and seminars to you and we may charge you a reasonable fee for the additional training programs. For all optional training programs, courses, and seminars, you or your employees will also be responsible for the expenses described above. (Franchise Agreement, § 7.2)

### Warranty

We do not offer or authorize you to offer any type of warranty under our name.

### Computer Systems

You must purchase and use any computer system that we develop or select for the Franchise Business, including all future updates, supplements and modifications (the “Computer System”). The Computer System includes a laptop computer and all hardware, software and data used to record and analyze sales, inventory, product usage and tax information.

We reserve the right to designate changes or enhancements to the Computer System used in your Franchise Business including computer hardware, software and other equipment. You must upgrade or update hardware and software, as directed by us. There are no contractual limitations on the frequency and cost of the obligation. At such time as we designate the change or enhancement to the Computer System, you may be required to make certain payments to us or our designated suppliers. You will have 60 days to install and commence using the changed or enhanced Computer System. You must acquire the right to use hardware, software, peripheral equipment and accessories, and arrange for installation, maintenance and support services of the initial, changed or enhanced Computer System all at your cost.

You are required to use our proprietary software program, Puro 360 which includes Zeewise. You must obtain this software from us. The software programs will be used to generate estimates, invoices, marketing, financial and customer contacts and management, and other reports. We require independent access to the information, applications and data contained on your computer. We anticipate that certain companies and individuals will begin to conduct business over the Internet or Intranet. In order for you to participate in this business you will be required to pay a transaction fee to the service provider. We have established a current transaction fee structure (outlined below) with XACTWARE INFORMATION SYSTEMS, INC. for our franchisees that wish to participate in the program. There are other minor fees that may be charged including cancellation, toll free phone charges, etc. At this time we do not anticipate those charges to be over \$10 per transaction. We have no exclusive agreement and XACTWARE INFORMATION SYSTEMS, INC. has the right to market their products to the general public (Franchise Agreement, §7.7).

**Fee Structure XactNet**

<b>Estimate Value</b>	<b>Charge</b>
\$0.00 - \$499.00	\$4.95
\$500.00 - \$1999.00	\$9.95
\$2000.00 - \$9999.00	\$16.95
\$10,000.00 and higher	\$29.95

In addition to Puro 360, you must use the Sugar Professional CRM Contact Management Solution program. You must also, after receiving written notice from us, use the Systino web-based software program. We will provide you with 60 days prior written notice before you are required to use the Systino web-based software program. You may be required to license additional proprietary software from us, an affiliate or a third party, and you also may be required to pay a software licensing or use 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.

You must store all data and information that we designate and report data and information in the manner we specify, including through our intranet or other online communications. You also must have your Franchise Business connected to the internet using a connection method we approve, currently DSL or Cable modem.

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 may own, maintain, and control all software, hardware, websites, telephone numbers, email addresses, facsimile numbers and other forms of internal and external communication you use in connection with your Franchise Business.

We estimate the cost of purchasing the Computer System will range from \$1,200 to \$2,500. We have no obligation to update, upgrade or otherwise modify any computer software. You, however, are required to make periodic maintenance, updating or upgrading to the Computer System.

### Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the Franchise Business in accordance with the standards, methods, policies, and procedures specified in the Manuals or on our online training site, one copy of which will be available to you through our password protected Internet web page, on CD or through print or other electronic media for the term of the Franchise Agreement. You must treat the Manuals, and the other written materials created for or approved for use in the operation of the Franchise Business, and the information contained in them, as confidential, and must use all reasonable efforts to maintain such information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce the materials, in whole or in part, or otherwise make them available to any unauthorized person. The Manuals will remain our sole property and must be kept in a secure place in the Office. We may, from time to time, revise the contents of the Manuals, and you must comply with each new or changed standard (Franchise Agreement, §16 & §9). The Table of Contents from our Manuals is attached as Exhibit D.

## **ITEM 12** **TERRITORY**

You will be assigned a POL where you must establish and operate an Office for your Franchise Business from a single location within your POL. The POL is a specific agreed upon area identified in your Franchise Agreement containing a population generally of up to 100,000. Your Office may be located at your personal residence (where permitted) or a new or existing place of business; provided, however, your personal residence or place of business is located in your POL. We must approve in advance the location of your Office. You may not relocate the Office without our prior written approval. During the term of the Franchise Agreement we will not establish or operate, or license any other party the right to establish or operate, a PuroClean business from an office or business address located within your POL. As noted in this Item 12, however, other PuroClean franchisees may market customers located inside and outside of your POL.

PuroClean offers an “open territory” system, and except as described in this Item 12, there are no restrictions or limitations as to the customers you or any other PuroClean franchisee may market or service. You will not receive an exclusive territory under the terms of your Franchise Agreement, although you will receive a POL as described in this Item 12. You may market and service customers located inside and outside of your POL. Under certain circumstances described below you may face competition from other PuroClean franchisees,



from outlets that we may own in the future, or from other channels of distribution or competitive brands that we control or that are otherwise affiliated with us.

We reserve the right to create and implement regional or national strategic alliance accounts. For example, we may create a strategic alliance account consisting of regional or national insurance program managers and/or administrators and real estate and property managers (“Account Participants”). Through a strategic alliance account, we will serve as the central contact within the PuroClean System for Account Participants to refer business. We will assign any business received through the strategic alliance account program to a third party, which may or may not be a Puroclean franchisee, who is qualified to participate in the strategic alliance account program and who is able to perform the services requested within the timeframe and in accordance with the specific circumstances and requirements identified by the Account Participant.

If you are assigned business that is referred through the strategic alliance account program, the terms, conditions and procedures under which you provide services may differ from your standard terms, conditions and procedures. We will identify the terms, conditions, and procedures for providing services to a customer referred through a strategic alliance account program in the Manual or other system communications. These terms, conditions and procedures will govern any services you provide to a customer referred to you through a strategic alliance account program.

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

- (i) establish and operate a franchised or company-owned PuroClean business whose office or business address is located outside your POL (and these PuroClean businesses may under certain circumstances as noted in this Item 12, compete with your Franchise Business);
- (ii) establish and operate, and/or license others to establish and operate, within and outside of your POL, any business providing services under marks other than the PuroClean Proprietary Marks in the areas of casualty contracting, casualty restoration, remediation, mitigation, construction, purification, drying, cleaning, painting, repair, and replacement services and/or subcontract services to insurance companies, business and residential clients and others who have been subject to fire, flood, vandalism, trauma, mold and/or other casualties, as well as, purification, cleaning and odor removal services whether or not casualty related, which business or businesses may solicit and provide services to any customer located inside and outside your POL;
- (iii) offer, sell or distribute, within and outside your POL, any products associated with the PuroClean System (now or in the future) or identified by the PuroClean Proprietary Marks, or any other marks, through any distribution channels or methods, including, without limitation, to other cleaning or restoration service 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) (for example, we may distribute products through retail stores and locations); and

- (iv) 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 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 Franchise Business, and which may be located anywhere within or outside your POL.

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.



Continuation of your franchise does not depend on you achieving a certain sales volume, market penetration, or other contingency.

Upon request, we will consider granting you an additional Franchise Business based on your compliance with your existing Franchise Agreement and other qualifications.

**ITEM 13**  
**TRADEMARKS**

The Franchise Agreement grants you the right to operate your Franchise Business under the name PUROCLEAN and under any other proprietary marks currently used or that we may use in the future in the operation of the Franchise Business.

The following is a list of the service mark registrations, all of which are on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Service Mark	Registration No.	Registration Date
	3219870	March 20, 2007
	1689761	June 2, 1992

<b>Service Mark</b>	<b>Registration No.</b>	<b>Registration Date</b>
THE PARAMEDICS OF PROPERTY DAMAGE (STYLIZED)	2,981,448	August 2, 2005
PUROCLEAN (STYLIZED)	2,977,204	July 26, 2005

The following is a description of the Service Mark application which is on file on the Principal Register of the USPTO:

<b>Service Mark</b>	<b>Serial No.</b>	<b>Application Date</b>
 <b>PuroClean</b> <sup>TM</sup> The Paramedics of Property Damage®	77233334	July 19, 2007
 <b>PuroClean</b> <sup>TM</sup>	77233332	July 19, 2007

We derive our right to use and to license others to use the service mark “PUROCLEAN” from our license agreement with PUROCLEAN, Inc. dated January 1, 2001. Our right to use and to license others to use the mark is limited only by the license agreement with PUROCLEAN, Inc. The agreements will be renewed annually, unless either party gives written notice to the other party 30 days prior to the anniversary date. The agreements also may be terminated if we make an assignment of our assets for the benefit of creditors, if a trustee or receiver is appointed for our business, if we file a voluntary petition in bankruptcy, or an involuntary petition is filed against us, or if we fail to comply with the terms of the agreement and do not cure the default within 30 days after written notice. If the agreement is terminated, PUROCLEAN, Inc. will assume all of our rights and obligations regarding the mark under the Franchise Agreement then in effect. There are no agreements currently in effect that significantly limit our rights to use or license the use of such proprietary marks that are material to the franchise.

Your use of the Proprietary Marks and any goodwill is to our and PUROCLEAN, Inc.'s exclusive benefit and you retain no rights in the Proprietary Marks. You also retain no rights in the Proprietary Marks 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 Proprietary Marks unless we direct in writing. We may change the System presently identified by the Proprietary Marks including the adoption of new Marks, new products, new equipment or new techniques and you must adopt the changes in the System, as if they were part of the Franchise Agreement at the time of its execution. You must comply within a reasonable time if we notify you to discontinue or modify your use of any Proprietary Mark. We will have no liability or obligation as to your modification or discontinuance of any Proprietary Mark.

There are currently no effective determinations of the United States Patent and Trademark Office, the trademark administrator of this state, or any court, nor is there any pending interference, opposition, or cancellation proceeding, nor any pending material litigation involving the Proprietary Marks which may be relevant to their use in this state or in any other state.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Proprietary Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Proprietary Marks and we have the sole right to decide to pursue or settle any infringement action related to the Proprietary Marks. You must notify us promptly of any infringement or unauthorized use of the Proprietary Marks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Proprietary Marks, you must make the changes or substitutions at your own expense.

There are no infringing uses actually known to us that could materially affect your use of the Proprietary Marks in this state or any other state.

#### **ITEM 14** **PATENT, COPYRIGHTS, AND PROPRIETARY INFORMATION**

##### Patent and Copyrights

We do not own any right in or to any patents or registered copyrights that are material to the franchise. However, we claim copyright protection of the Manuals and other written materials.

##### Confidential Operations Manuals

You must operate the Franchise Business in accordance with the standards, methods, policies, and procedures specified in the Manuals, one copy of which we will provide to you on loan for the term of the Franchise Agreement. The Manuals may be supplied to you through a secured area of our website, on CD, or through other electronic or print media.

You must treat the Manuals, training materials, and the information contained in them, as confidential, and must use all reasonable efforts to maintain this information as secret and

confidential. The Manuals will remain our sole property and must be kept in a secure place. You may not divulge any password for access to our web site or CD to an unauthorized person.

We may from time to time revise the contents of the Manuals, and you must comply with each new or changed standard.

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

If you are an individual, you must exclusively and directly supervise the Franchise Business for at least forty hours of each business week and must devote a full-time effort to directing outside sales (or hire an experienced outside salesperson). If you are a corporation or partnership, one of the equity owners or partners must exclusively and directly supervise the Franchise Business on its premises for at least forty hours of each business week. If you have purchased an additional franchise from us, you may employ a fully trained manager for the management and operation of the second Franchise Business. The manager must have attended our initial classroom-training program prior to employment. The manager need not have an equity interest in the Franchise Business. The manager must maintain all of our trade secrets, and we may require all managers to sign a non-disclosure agreement in a form we accept. The franchisor places no limitations on you as to whom you may hire as a manager. There are no other restrictions that we require to be placed on your manager.

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

The Franchise Agreement prohibits Franchisee from offering or selling any goods or services that Franchisor have not approved in writing. Franchisee must sell all goods and services that Franchisor authorizes. Franchisee must discontinue selling and offering for sale any services or products that Franchisor may disapprove in writing at any time. Franchisor has the right to change the types of authorized goods and services, and there are no limits on Franchisor's right to make such changes (See Item 8). There are no limits on the customers to whom Franchisee may sell goods or services.

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

This table lists 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>Section in Franchise Agreement</b>	<b>Summary</b>
a. Term of the franchise	§ 2.1 of Franchise Agreement;	20 years
b. Renewal or extension of the term	§ 2.2 of Franchise Agreement	One consecutive term of 10 years.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
c. Requirements for you to renew or extend	§ 2.2 of Franchise Agreement	<p>Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, release, execute new Franchise Agreement, and others</p> <p>If you seek to renew your franchise at the expiration of the initial term or an 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 you	None	N/A
e. Termination by us without cause	None	N/A
f. Termination by us with cause	§ 12 of Franchise Agreement	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see § 12.
g. “Cause” defined - defaults which can be cured	§ 12.1 of Franchise Agreement	You have 30 days following receipt of written notice from us to cure defaults not specified in § 12.2 of the Franchise Agreement.
h. “Cause” defined - defaults which cannot be cured	§ 12.2 of Franchise Agreement	Bankruptcy; fraud; voluntary abandonment; conviction of felony, and others; see § 12.2.
i. Your obligations on termination/ non-renewal	§§ 13 and 14 of Franchise Agreement	Obligations include complete de-identification; payment of amounts due; comply with post-term covenants; and others: see § 13.
j. Assignment of contract by us	§ 11.1 of Franchise Agreement	There are no limits on our right to assign the Agreement.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
k. "Transfer" by you - definition	§ 11.2 of Franchise Agreement	Includes transfer of interest in Franchise Agreement, Franchisee, or all or substantially all of the assets of the Franchise Business.
l. Our approval of transfer by you	§ 11 of Franchise Agreement	We have the right to approve transfers.
m. Conditions for our approval of transfer	§ 11 of Franchise Agreement	Includes payment of money owed, non-default, release by you, execution of new Franchise Agreement, and payment of transfer fee and any applicable referral fee. A transfer to a corporation for convenience of ownership also requires our approval. See § 11.4 of Franchise Agreement.
n. Our right of first refusal to acquire your business	§ 11.6 of Franchise Agreement	We can match any offer.
o. Our option to purchase your business	None	None
p. Your death or disability	§ 11.7 of Franchise Agreement	Interest in Franchise Business will be transferred to a third-party approved by us.
q. Non-competition covenants during the term of the franchise	§ 14.1.1 of Franchise Agreement	Includes prohibition on engaging in any other type of business similar to any PuroSystems Franchise Businesses
r. Non-competition covenants after the franchise is terminated, transferred or expires	§ 14.1.2 of Franchise Agreement	Includes 2-year prohibition similar to (q) within the Protected Office Location or within a 25-mile radius of the Office and a prohibition against soliciting or accepting business from prior referral sources.
s. Modification of the agreement	§ 21 of Franchise Agreement	Must be in writing signed by both parties.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
t. Integration/merger clause	§ 21 of Franchise Agreement	Only the terms of the Franchise Agreement and this Disclosure Document are binding; there are no other representations made.
u. Dispute resolution by arbitration or mediation	§ 17 of Franchise Agreement	Mediation by mutually acceptable mediator or through established mediation service selected by us. Arbitration in Broward County, Florida according to AAA or CPR Rules.
v. Choice of forum	§ 20.1 of Franchise Agreement	Florida
w. Choice of law	§ 20.1 of Franchise Agreement	Florida

These states have statutes that may supersede the Franchise Agreement in your relationship with us including the areas of termination, renewal of your franchise, and choice of law: ALASKA [Stat. Sections 45.45.700 – 45.45.790], ARKANSAS [Code Sections 4-72-201 – 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Sections 42-133e-42-133h], DELAWARE [Code Sections 2551 – 2556], HAWAII [Rev. Stat. Section 482E-6], IDAHO [Code Sections 29 – 100], ILLINOIS [815 ILCS Sections 705-1-44], INDIANA [Code Sections 23-2-2.7-1 – 23-2-2.7-7], IOWA [Code Sections 523H.1 - 523H.17 and 537A.10], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Sections 80C.14 and 80C.21], MISSISSIPPI [Code Sections 75-24-51 – 75-24-63], MISSOURI [Rev. Stat. Sections 407.400 – 407.413 and 407.420], NEBRASKA [Rev. Stat. Sections 87-401 – 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 – 56:10-12], RHODE ISLAND [Stat. Sections 19-28.1-14 – 19-28.1-16; 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 enforceable under this Act”], SOUTH DAKOTA [SDCL Sections 37-5A-51 and 37-5A-51.1], VIRGINIA [Code Sections 13.1-557 – 13.1-574], WASHINGTON [Rev. Code Section 19.100.180], WISCONSIN [Stat. Sections 135.01 – 135.07]. These and other states may have court decisions, which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your franchise.

**ITEM 18**  
**PUBLIC FIGURES**

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



## **ITEM 19** **FINANCIAL PERFORMANCE REPRESENTATIONS**

### **Background**

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 any reasonable basis for the information, and if the information is included in the disclosure document. Financial information that differs from that included in Item 19 may only be given 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.

This Item sets forth certain historical data from our franchisees, which were open for, more than 1-year. All figures were based upon information provided to us by our franchisees in response to a survey in December 2007 for the franchisee's last 12-months (the "Reporting Period"). During the Reporting Period, we had 84 franchisees, which operated for the entire year and had been in operation for more than 1 full year. Of these franchisees, we received 45 survey responses (the "Reporting Franchisees"). The Reporting Franchisees operate businesses substantially similar to the business being offered in this disclosure document.

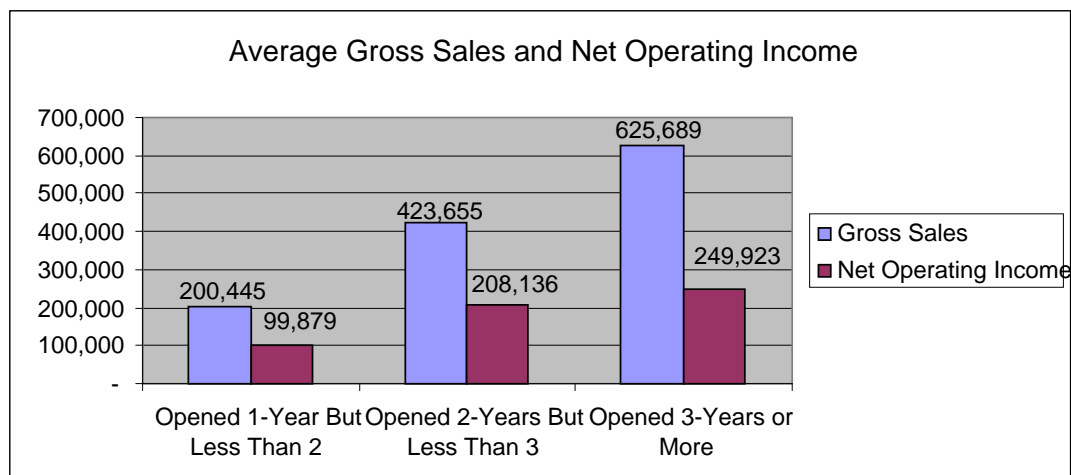
Importantly, the success of your franchise will depend largely upon your individual abilities and your market, and the financial results of your franchise are likely to differ, perhaps materially, from the results summarized in this item.

Written substantiation of the data used in preparing this information will be made available upon reasonable request. We have not audited this information, nor independently verified this information.

You should not use this information as an indication of how well your franchise will do. A number of factors will affect the success of your franchise. These factors include the current market conditions, the type of market in your franchise area, the location of your franchise area, the competition and your ability to operate the franchise.

### **Section 1: Average Total Gross Sales and Operating Income By Year in Operation**

The following chart provides the average Total Gross Sales and Average Operating Income after Indirect Expenses, defined in Note 14 below, for Reporting Franchisees broken down by the number of years the Reporting Franchisee has been Operating.



Average Gross Sales, Gross Margins, Certain Expenses, Operating Income and Percentages

The following table sets forth the Reporting Franchisee’s average (i) Gross Sales; (ii) Costs of Goods Sold; (iii) average Gross Margin on Sales; (iv) average certain Indirect Expenses; and (v) average Operating Income after Indirect Expenses for the Reporting Period.

Average Total Gross Sales <sup>1</sup>	\$364,270	100%
Average Costs of Goods Sold (Direct Expenses) <sup>2</sup>	88,729	24.36%
Gross Margin on Sales <sup>3</sup>	275,541	75.64%
Average Indirect Expenses <sup>4</sup>		
Bank and Finance Charges <sup>5</sup>	5,770	1.58%
Dues and Subscriptions <sup>6</sup>	2,218	0.61%
Lease Expenses <sup>7</sup>	17,613	4.84%
Automobile Maintenance and Fuel <sup>8</sup>	13,277	3.64%
Depreciation <sup>9</sup>	19,404	5.33%
Continuing Royalty Fees <sup>10</sup>	33,245	9.13%
Marketing Fund Contribution <sup>11</sup>	4,788	1.31%

Insurance Costs <sup>12</sup>	18,673	5.13%
Average Total Indirect Expenses <sup>13</sup>	114,988	31.57%
Average Operating Income after Indirect Expenses <sup>14</sup>	\$160,553	44.07%

Notes:

<sup>1</sup> Average Total Gross Sales is defined as the total of all sales invoices or other items or services billed to the customer for all “completed sales” less any discounts. Sales of products and services are considered “completed sales” when the franchisee collects final payment from the customer or by the date that is 1-month after final installation of all products and/or services sold to the customer, whichever is earlier. The average is determined by dividing the sum of the Reporting Franchisee’s Total Gross Sales by the number of Reporting Franchisees. Of the 45 Reporting Franchisees, 17 achieved Total Gross Sales of \$364,270 or more during the Reporting Period.

<sup>2</sup> Costs of Goods Sold (Direct Expenses) is defined as all costs directly associated with delivering a completed sale, including but not limited to all materials and supplies together with labor, referral fees and commissions. The average is determined by dividing the sum of the Reporting Franchisee’s Costs of Goods Sold by the number of Reporting Franchisees. Of the 45 Reporting Franchisees, 44 provided information on this line item and 15 of these had Costs of Goods Sold, which exceeded \$88,729 during the Reporting Period. The percentage was determined by dividing the average Costs of Goods Sold by the average Total Gross Sales.

<sup>3</sup> Average Gross Margin on Sales is calculated by subtracting the Average Costs of Goods Sold from Average Total Gross Sales in the chart above. Of the 45 Reporting Franchisees, 44 provided information on this line item and 17 of these achieved a Gross Margin of \$275,541 or more during the Reporting Period. The percentage was determined by dividing the Average Gross Margin by the Average Total Gross Sales.

<sup>4</sup> Indirect Expenses captures some of the most significant day-to-day operating and overhead expenses, as well as any applicable depreciation expenses. The average is determined by dividing the sum of the line item as reported by the Reporting franchisees by the number of Reporting Franchisees who provided information on the particular line item. The percentage was determined by dividing the line item by the Average Total Gross Sales. These are not all of the expenses, which you will incur as a franchisee.

<sup>5</sup> Bank and Finance Charges are defined as payments made to banks or other lenders on notes, line of credit or other forms of financing. Of the 45 Reporting Franchisees, 37 included information on this line item. Of these 37 franchisees, 11 reported Bank and Finance Charges, which exceeded \$5,514 in the Reporting Period.

<sup>6</sup> Dues and Subscriptions include the cost of professional organizations, etc. Of the 45 Reporting Franchisees, 32 included information on this line item. Of these 32 franchisees, 7 reported Dues and Subscriptions, which exceeded \$2,070 in the Reporting Period.

<sup>7</sup> Lease Expenses include rent and related expenses and also include rental payments and related costs for computers, equipment and vehicles used in the business. Of the 45 Reporting Franchisees, 33 included information on this line item. Of these 33 franchisees, 14 reported Lease Expenses, which exceeded \$15,656 in the Reporting Period.

<sup>8</sup> Automobile Maintenance and Fuel Costs include automotive repair expenses not included in the Lease Expense category above as well as fuel costs. Of the 45 Reporting Franchisees, 38 included information on this line item. Of these 38 franchisees, 15 reported Automobile Maintenance and Fuel expenses, which exceeded \$12,982 in the Reporting Period.

<sup>9</sup> Of the 45 Reporting Franchisees, 24 included information on this line item. Of these 24 franchisees, 10 reported depreciation expenses, which exceeded \$15,954 in the Reporting Period.

<sup>10</sup> Of the 45 Reporting Franchisees, 39 included information on this line item. Of these 39 franchisees, 13 reported paying Continuing Royalty Fees, which exceeded \$33,245 in the Reporting Period.

<sup>11</sup> Of the 45 Reporting Franchisees, 35 included information on this line item. Of these 35 franchisees, 10 reported making Marketing Fund Contributions, which exceeded \$4,575 in the Reporting Period.

<sup>12</sup> Insurance Costs include the costs for general business liability and other forms of required insurance policies. Of the 45 Reporting Franchisees, 38 included information on this line item. Of these 38 franchisees, 12 reported Insurance Costs, which exceeded \$18,638 in the Reporting Period.

<sup>13</sup> Average Total Indirect Expenses is defined as the sum of Average Indirect Expenses on the chart above. Of the 45 Reporting Franchisees, 24 provided full Indirect Expense information. Of these 24 franchisees, 7 reported Total Indirect Expenses in excess of 108,638. The percentage is the sum of the percentages of Average Indirect Expenses on the chart above.

<sup>14</sup> Average Operating Income after Indirect Expenses is calculated by subtracting the Average Total Indirect Expenses from the Average Gross Margin on Sales in the chart above. Of the 45 Reporting Franchisees, 24 reported full Indirect Expense information. Of these 24 franchisees 7 reported Operating Income after Indirect Expenses in excess of \$166,902. The percentage was determined by subtracting the Average Total Indirect Expenses percentages from the Average Gross Margin on Sales percentage.

This analysis does not contain complete information containing the expenses you may incur in operating a business.

Assumptions:

(1) Your results may vary upon the location of your business. Your results may also vary as start-up business.

(2) This analysis does not contain complete information concerning operating costs. Operating costs may vary substantially from business to business.

(3) The above figures exclude administrative payroll, payroll taxes, owner compensation/salary, healthcare, employee benefits, uniforms, office supplies, postage, travel and entertainment expenses, utilities and telephone charges, late fees, training fees, central telephone number fees, product sample update costs, and other fees and expenses which you may incur as a franchisee.

(4) The above figures exclude tax liabilities that you will be responsible for.

(5) The above figures exclude professional fees or other administrative expenses that you may incur, including legal and accounting fees.

(6) Interest expense, interest income, depreciation, amortization and other income or expenses will vary substantially from business to business, depending on the amount and kind of financing you obtain to establish your business. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your business may be amortized or depreciated, as well as the effect, if any, of any recent or proposed tax legislation.

(7) Expenses and costs, as well as the actual accounting and operational methods employed by a franchisee, may significantly impact profits realized in any particular operation.

Average Number of Vans, Jobs per Month and Price Per Job

For the Reporting Franchisees, the following tables show the average (i) number of vans operated during the Reporting Period; (ii) number of jobs per month; and (iii) the price per job.

Average Number of Vans <sup>1</sup>	1.90
Average Jobs Per Month <sup>2</sup>	10.63
Average Price Per Job <sup>3</sup>	\$3,089

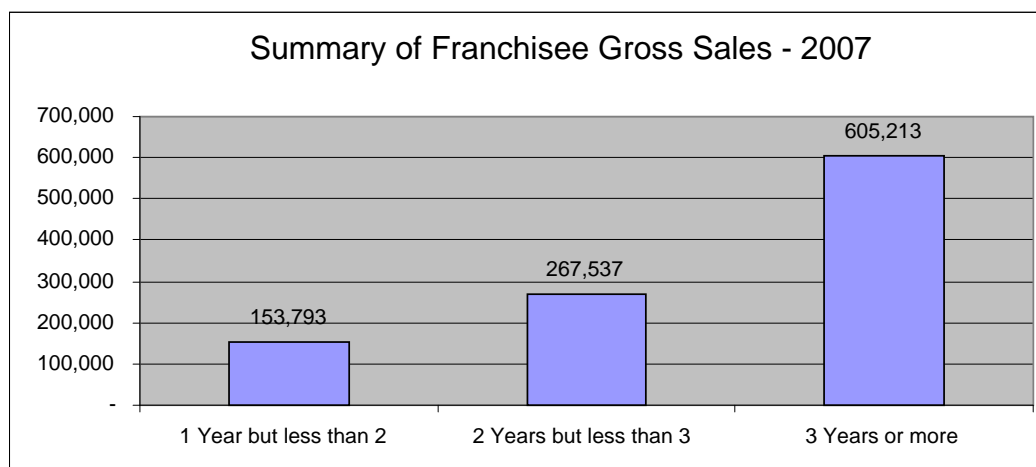
Notes:

<sup>1</sup> Of the 45 Reporting Franchisees, 23 had 2 or more vans operating during the Reporting Period.

<sup>2</sup> Of the 45 Reporting Franchisees, 13 averaged 11 or more jobs per month during the Reporting Period.

<sup>3</sup> Of the 45 Reporting Franchisees, 17 averaged \$3,089 per job or more during the Reporting Period.

## Section 2: Summary of Franchise Operations – Calendar Year 2007



The following presents the Gross Sales for each of our franchisees who have been opened for more than 1-year.

### 1. Summary of Franchises Opened 3-Years or More.

In the year ending December 31, 2007, there were 16 franchised businesses in operation for more than 3-years. The average annual Gross Sales was \$605,213 and the median annual Gross Sales was \$400,721.

### 2. Summary of Franchises Opened More Than 2-Years But Less Than 3-Years.

In the year ending December 31, 2007, there were 30 franchised businesses in operation for more than 2-years but less than 3-years. The average annual Gross Sales was \$267,537 and the median annual Gross Sales was \$200,103.

3. Summary of Franchises Opened More Than 1-Year But Less Than 2-Years. In the year ending December 31, 2007, there were 42 franchised businesses in operation for more than 1-year but less than 2-years. The average annual Gross Sales was \$153,793 and the median annual Gross Sales was \$112,344.

### Caution

There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well.

Actual results vary from business to business, and we cannot estimate the result of a particular business. Sales, revenues and expenses may vary. In particular, the revenues and

expenses of your franchised business will be directly affected by many factors, including: (a) geographic location; (b) competition from other similar businesses in your area; (c) advertising effectiveness based on market saturation; (d) your product and service pricing; (e) vendor prices on materials, supplies and inventory; (f) labor costs; (g) health and other fringe benefits you provide; (h) ability to generate customers; (i) customer loyalty; and (j) employment conditions in the market.

Importantly, you should not consider the Sales, Revenue, Gross Profit or cost/expense percentages presented above to be the actual potential revenues or gross margins that you will realize. We do not represent that you can or will attain these revenues or margins, or any particular level of revenues or percentage of expenses. We do not represent that you will generate income, which exceeds the initial payment of, or investment in, the franchise. Therefore, we recommend that you make 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 a franchised business.

Disclaimer Regarding Claims Made by Agents, et. al.

We specifically instruct our sales personnel, agents, employees and officers that they may not make any claims or statements as to the earnings, sales or profits, or prospects or chances of success of a franchised business other than as set forth in this Item 19. They are not authorized to represent or estimate dollar figures as to a business's operation other than as shown above. Except as provided by applicable law, we will not be bound by allegations of any unauthorized representation as to earnings, sales, profits, or prospects or chances for success, and you must acknowledge that you have not relied on any representation in purchasing your franchise

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

**PUROCLEAN**

**SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2005 TO 2007**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
FRANCHISED OUTLETS	2005	75	83	+8
	2006	83	98	+15
	2007	98	180	+82

<b>COMPANY OWNED</b>	<b>2005</b>	0	0	0
	<b>2006</b>	0	0	0
	<b>2007</b>	0	0	0
<b>TOTAL OUTLETS</b>	<b>2005</b>	75	83	+8
	<b>2006</b>	83	98	+15
	<b>2007</b>	98	180	+82

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR) FOR YEARS 2005 TO 2007**

<b>STATE</b>	<b>Year</b>	<b>NUMBER OF TRANSFERS</b>
California	<b>2005</b>	0
	<b>2006</b>	0
	<b>2007</b>	1
Florida	<b>2005</b>	0
	<b>2006</b>	0
	<b>2007</b>	1
Illinois	<b>2005</b>	0
	<b>2006</b>	0
	<b>2007</b>	1
Missouri	<b>2005</b>	0
	<b>2006</b>	0
	<b>2007</b>	1
Ohio	<b>2005</b>	0
	<b>2006</b>	0
	<b>2007</b>	1
Total	<b>2005</b>	0
	<b>2006</b>	0
	<b>2007</b>	5

Transfers of outlets from franchisees to new owners occurred only in the states identified above. For those states not identified in the table, no transfers of outlets from franchisees to new owners occurred in 2005, 2006 or 2007.



**STATUS OF FRANCHISED OUTLETS  
FOR YEARS 2005 TO 2007**

State	Year	Outlets at Start of Year	Outlets Opened*	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Alabama	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	3	0	0	0	0	3
Alaska	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Arizona	2005	3	2	0	0	0	0	5
	2006	5	2	2	0	0	0	5
	2007	5	2	0	0	0	0	7
Arkansas	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
California	2005	8	1	0	0	0	0	9
	2006	9	5	3	0	0	0	11
	2007	11	12	4	0	0	0	19
Colorado	2005	3	0	0	0	0	1	2
	2006	2	2	0	0	0	1	3
	2007	3	3	1	0	0	0	5
Connecticut	2005	1	0	0	0	0	0	1
	2006	1	0	1	0	0	0	0
	2007	0	2	0	0	0	0	2
Delaware	2005	1	0	0	0	0	0	1
	2006	1	0	0	0	0	0	1
	2007	1	0	0	0	0	0	1
District of Columbia	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Florida	2005	12	0	1	0	0	0	11
	2006	11	4	2	0	0	0	13
	2007	13	6	1	0	0	0	18

State	Year	Outlets at Start of Year	Outlets Opened*	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Georgia	2005	3	0	0	0	0	0	3
	2006	3	0	2	0	0	0	1
	2007	1	3	0	0	0	0	4
Hawaii	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	1	0	0	0	0	1
Idaho	2005	0	0	0	0	0	0	0
	2006	0	1	0	0	0	0	1
	2007	1	0	0	0	0	0	1
Illinois	2005	2	0	0	0	0	0	2
	2006	2	3	0	0	0	0	5
	2007	5	4	1	0	0	0	8
Indiana	2005	4	0	1	0	0	0	3
	2006	3	0	1	0	0	0	2
	2007	2	0	0	0	0	0	2
Iowa	2005	0	0	0	0	0	0	0
	2006	0	1	0	0	0	0	1
	2007	1	0	0	0	0	0	1
Kansas	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Kentucky	2005	1	0	1	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Louisiana	2005	0	0	0	0	0	0	0
	2006	0	1	0	0	0	0	1
	2007	1	0	0	0	0	1	0
Maine	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	1	0	0	0	0	1
Maryland	2005	3	0	0	0	0	0	3
	2006	3	0	1	0	0	0	2
	2007	2	4	0	0	0	0	6
Massachusetts	2005	0	1	0	0	0	0	1
	2006	1	0	0	0	0	0	1
	2007	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened*	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Michigan	2005	0	1	0	0	0	0	1
	2006	1	3	0	0	0	0	4
	2007	4	5	0	0	0	0	10
Minnesota	2005	1	0	0	0	0	0	1
	2006	1	2	0	0	0	0	3
	2007	3	0	0	0	0	0	3
Mississippi	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	1	0	0	0	0	1
Missouri	2005	1	0	0	0	0	0	1
	2006	1	0	0	0	0	0	1
	2007	1	3	0	0	0	0	4
Montana	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Nebraska	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Nevada	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	2	0	0	0	0	2
New Hampshire	2005	0	1	0	0	0	0	1
	2006	1	0	0	0	0	0	1
	2007	1	1	0	0	0	0	2
New Jersey	2005	2	2	0	0	0	0	4
	2006	4	0	0	0	0	0	4
	2007	4	6	0	0	0	0	10
New Mexico	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
New York	2005	1	0	0	0	0	0	1
	2006	1	1	0	0	0	0	2
	2007	2	2	0	0	0	0	4
North Carolina	2005	2	4	0	0	0	0	6
	2006	6	4	1	0	0	0	9
	2007	9	3	1	0	0	0	11

State	Year	Outlets at Start of Year	Outlets Opened*	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
North Dakota	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Ohio	2005	2	0	0	0	0	0	2
	2006	2	4	2	0	0	0	4
	2007	4	4	0	0	0	0	8
Oklahoma	2005	0	1	0	0	0	0	1
	2006	1	0	0	0	0	0	1
	2007	1	0	1	0	0	0	0
Oregon	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	1	0	0	0	0	1
Pennsylvania	2005	7	0	1	0	0	0	6
	2006	6	2	1	0	0	0	7
	2007	7	4	0	0	0	0	11
Rhode Island	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	1	0	0	0	0	1
South Carolina	2005	1	1	0	0	0	0	2
	2006	2	0	0	0	0	0	2
	2007	2	1	0	0	0	0	3
South Dakota	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Tennessee	2005	2	0	1	0	0	0	1
	2006	1	2	0	0	0	0	3
	2007	3	2	1	0	0	0	4
Texas	2005	8	0	0	0	0	0	8
	2006	8	0	7	0	0	0	1
	2007	1	6	2	0	0	0	5
Utah	2005	0	0	0	0	0	0	0
	2006	0	1	0	0	0	0	1
	2007	1	1	0	0	0	0	2
Vermont	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened*	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Virginia	2005	2	0	1	0	0	0	1
	2006	1	0	1	0	0	0	0
	2007	0	4	1	0	0	0	3
West Virginia	2005	2	0	0	0	0	0	2
	2006	2	0	0	0	0	0	2
	2007	2	1	0	0	0	0	3
Wisconsin	2005	2	0	0	0	0	0	2
	2006	2	0	1	0	0	0	1
	2007	1	3	0	0	0	0	4
Washington	2005	1	0	0	0	0	0	1
	2006	1	3	0	0	0	0	4
	2007	4	3	1	0	0	0	6
Wyoming	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
Total	2005	75	14	6	0	0	1	82
	2006	82	41	23	0	0	3	97
	2007	97	96	14	0	0	0	179

Note: Outlets opened include transfers, Purofirst/PuroClean conversions and new franchise agreements signed but business not open.

**STATUS OF COMPANY-OWNED OUTLETS  
FOR YEARS 2005 TO 2007**

None. As of December 31, 2007, there were 18 active PUROFIRST® franchises. The PUROFIRST® Franchise Business is different than the PUROCLEAN® franchise described in this disclosure document. See Item 1.

**PROJECTED NEW FRANCHISED OUTLETS  
AS OF DECEMBER 31, 2007**

State	Franchise Agreements Signed But Business Not Open	Projected New Franchised Outlets in the next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Alabama	1	1	0
Alaska	0	0	0
Arizona	0	1	0

<b>State</b>	<b>Franchise Agreements Signed But Business Not Open</b>	<b>Projected New Franchised Outlets in the next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Current Fiscal Year</b>
Arkansas	0	0	0
California	7	5	0
Colorado	0	1	0
Connecticut	0	1	0
Delaware	0	0	0
Florida	0	3	0
Georgia	0	3	0
Hawaii	0	1	0
Idaho	0	1	0
Illinois	0	4	0
Indiana	0	3	0
Iowa	0	2	0
Kansas	0	1	0
Kentucky	1	2	0
Louisiana	0	2	0
Maine	0	1	0
Maryland	2	1	0
Massachusetts	0	2	0
Michigan	1	4	0
Minnesota	0	3	0
Mississippi	1	2	0
Missouri	1	2	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	1	1	0
New Hampshire	0	1	0
New Jersey	2	2	0
New Mexico	0	1	0
New York	0	3	0
North Carolina	1	1	0
Ohio	1	3	0
Oklahoma	0	3	0
Oregon	0	2	0
Pennsylvania	2	3	0
South Carolina	0	1	0
Tennessee	0	2	0
Texas	1	5	0

<b>State</b>	<b>Franchise Agreements Signed But Business Not Open</b>	<b>Projected New Franchised Outlets in the next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Current Fiscal Year</b>
Utah	0	2	0
Vermont	0	1	0
Virginia	1	3	0
West Virginia	0	0	0
Washington	1	2	0
Wisconsin	0	1	0
Wyoming	0	0	0
<b>TOTAL</b>	24	83	0

Exhibit A lists the names of all of our operating franchisees and the addresses and telephone numbers of their Franchise Businesses as of December 31, 2007. Exhibit A also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, during the last 3 fiscal years, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with us. You may want to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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

The following audited financial statements of PuroSystems, Inc. are included in this Disclosure document as Exhibit C: Balance Sheets as of December 31, 2007, 2006 and 2005, and the related statements of income, changes in members' equity and cash flows for the year ending December 31, 2007, 2006 and 2005, together with the report of independent certified public accountants.

## **ITEM 22** **CONTRACTS**

The following contracts are attached to this disclosure document:

1. Franchisee Compliance Certification (Exhibit G)
2. Affidavit (Exhibit H)
3. Collateral Assignment of Telephone Number (Exhibit I)

4. Enterprise Fleet Leasing Agreement (Exhibit J)

**ITEM 23**  
**RECEIPTS**

Two copies of a receipt of this disclosure document appear at the end of this disclosure document. Please return one copy to us and retain the other one for your records.



**EXHIBIT A**  
**LIST OF FRANCHISEES**



**Offices as of 12/31/07**

**Alabama**

**Franchise:** PuroClean First Response

**Name:** Ashton and Linda Pond

**Address:** 9490 Timbercreek Blvd

**City:** Daphne

**E-mail:** ashtonpond@yahoo.com

**State:** AL

**Phone:** (251)625-3950

**Zip/Postal Code:** 36527

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**Name:** Rick Nicosia  
**City:** Fair Oaks Ranch      **State:** TX  
**Phone:** (210) 348-7575

**Name:** Randy and Jackie Stewart  
**City:** Irving      **State:** TX  
**Phone:** (972) 401-3300

**Name:** Hank Nezami  
**City:** Great Falls      **State:** VA  
**Phone:** (703) 684-1998

**Name:** Stephen Cossalter  
**City:** Kennewick      **State:** WA  
**Phone:** (509) 591-4311

**EXHIBIT B**  
**LIST OF STATE AGENCIES AND ADMINISTRATORS**

**CALIFORNIA**

California Commissioner of  
Corporations  
Department of Corporations  
State of California  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-  
1105

**HAWAII**

Commissioner of Securities of  
the State of Hawaii  
335 Merchant Street  
Room 203  
Honolulu, HI 96813

**ILLINOIS**

Attorney General State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

**INDIANA**

Agent for Service of Process  
Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204

State Administrator

Securities Commissioner  
Indiana Securities Division  
302 West Washington, Room E-  
111  
Indianapolis, Indiana 46204

**MARYLAND**

Agent to Receive Process  
Securities Commissioner  
Division of Securities  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

State Authority

Office of the Attorney General  
Securities Division  
200 St. Paul Place, 20th Floor  
Baltimore, Maryland 21202

**MICHIGAN**

Consumer Protection Division  
Attn.: Franchise  
670 Williams Building  
Lansing, Michigan 48913

**MINNESOTA**

Commissioner of Commerce  
Minnesota Department of  
Commerce  
85 7<sup>th</sup> Place East  
Suite 500  
St. Paul, Minnesota 55101

**NEW YORK**

Agent to Receive Process  
Secretary of State  
State of New York  
162 Washington Avenue  
Albany, New York 12231

State Administrator

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

**NORTH DAKOTA**

Office of the Securities  
Commissioner  
State of North Dakota  
5th Floor, State Capital  
600 East Boulevard Avenue  
Bismarck, North Dakota 58505

**RHODE ISLAND**

Rhode Island Department of  
Business Regulation  
Securities Section  
233 Richmond Street, Suite 232  
Providence, Rhode Island 02903

**SOUTH DAKOTA**

Division of Securities  
State of South Dakota  
118 West Capitol Avenue  
Pierre, South Dakota 57501

**VIRGINIA**

Agent to Receive Process  
Clerk of the State Corporation  
Commission  
1300 East Main Street  
Richmond, Virginia 23219

State Administrator

State Corporation Commission  
Division of Securities and Retail  
Franchise  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23209

**WASHINGTON**

Director  
Department of Financial  
Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507

**WISCONSIN**

Division of Securities  
Department of Financial  
Institutions  
345 W. Washington Avenue, 4th  
Floor  
Madison, Wisconsin 53703



**EXHIBIT C**

**PUROSYSTEMS, INC.**  
**AUDITED FINANCIAL STATEMENTS**

ADAIR & ASSOCIATES, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL R. ADAIR, CPA  

---

SHARON L. BALGOBIN, CPA

1280 SW 36 AVENUE, SUITE 200  
POMPANO BEACH, FLORIDA 33069-4838

FAX: 954-974-7727  
954-974-7737

[www.adaircpa.com](http://www.adaircpa.com)

February 26, 2008

Mr. Rory O'Dwyer, President  
Mr. Keith Gerson, C.O.O.  
Mr. Troy Feichter, Director of Finance  
PuroSystems, Inc.  
6001 Hiatus Road, Suite 13  
Tamarac, FL 33321

Dear Mr. O'Dwyer, Mr. Gerson and Mr. Feichter:

Enclosed please find five bound copies and one unbound copy of your financial statements for the three years ended December 31, 2007.

Also enclosed are ten original Auditor's Consents to use our report dated February 7, 2008 in the PuroSystems, Inc. Franchise Disclosure Document.

Copies of the financial statements and the consent are on the enclosed disk.

If you have any questions or if we may be of any further assistance, please call.

Sincerely,

ADAIR & ASSOCIATES, P.A.

Michael R. Adair

MRA/slb  
Enclosures

**PUROSYSTEMS, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

PUROSYSTEMS, INC.

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ADAIR & ASSOCIATES, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL R. ADAIR, CPA  
\_\_\_\_\_  
SHARON L. BALGOBIN, CPA

1280 SW 36 AVENUE, SUITE 200  
POMPANO BEACH, FLORIDA 33069-4838

FAX: 954-974-7727  
954-974-7737

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
PuroSystems, Inc.

We have audited the accompanying balance sheets of PuroSystems, Inc. as of December 31, 2007 and 2006, and the related statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PuroSystems, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

ADAIR & ASSOCIATES, P.A.  
Certified Public Accountants

February 7, 2008

PUROSYSTEMS, INC.

BALANCE SHEETS

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 168,610	\$ 401,847
Accounts receivable, net - Note C	497,534	408,136
Due from affiliates, net – Note F	157,608	205,442
Prepaid broker fees	170,000	253,000
Prepaid expenses and other current assets	<u>115,132</u>	<u>47,492</u>
TOTAL CURRENT ASSETS	1,108,884	1,315,917
<b>FIXED ASSETS</b>		
Furniture and fixtures	25,322	19,189
Computer and office equipment - Notes D, G	204,910	128,229
Leasehold improvements	<u>23,845</u>	<u>23,845</u>
TOTAL FIXED ASSETS	254,077	171,263
Less accumulated depreciation	<u>57,660</u>	<u>52,725</u>
FIXED ASSETS, NET	196,417	118,538
<b>OTHER ASSETS</b>		
Trade notes receivable, long-term, net - Note C	186,896	28,029
Cash surrender value of life insurance	16,457	14,887
Other assets	<u>14,478</u>	<u>17,485</u>
TOTAL OTHER ASSETS	<u>217,831</u>	<u>60,401</u>
TOTAL ASSETS	\$ <u><u>1,523,132</u></u>	\$ <u><u>1,494,856</u></u>

	<u>2007</u>	<u>2006</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 110,246	\$ 33,825
Accrued expenses and other liabilities	46,588	76,035
Deferred revenue	450,000	587,000
Line of credit - Note D	38,561	0
Capital lease obligation - current portion - Note G	<u>21,225</u>	<u>17,510</u>
TOTAL CURRENT LIABILITIES	666,620	714,370
CAPITAL LEASE OBLIGATION - Note G	<u>103,823</u>	<u>62,367</u>
TOTAL LIABILITIES	770,443	776,737
 <b>COMMITMENTS AND CONTINGENCIES - Note G</b>		
 <b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1.00 par value, 500 shares authorized, 450 shares issued and outstanding	450	450
Paid-in capital	42,612	42,612
Retained earnings	<u>709,627</u>	<u>675,057</u>
TOTAL STOCKHOLDERS' EQUITY	<u>752,689</u>	<u>718,119</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u><u>1,523,132</u></u>	\$ <u><u>1,494,856</u></u>

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

PUROSYSTEMS, INC.

STATEMENTS OF INCOME

Years Ended December 31, 2007, 2006 and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>REVENUE</b>			
Initial franchise fees	\$ 2,666,477	\$ 1,468,352	\$1,318,713
Royalty and service fees	<u>4,142,855</u>	<u>2,810,464</u>	<u>2,076,820</u>
TOTAL REVENUE	6,809,332	4,278,816	3,395,533
<b>EXPENSES</b>			
Cost of services and products sold	2,078,590	1,194,249	1,123,093
Selling, general and administrative expense	<u>3,792,048</u>	<u>2,219,292</u>	<u>1,958,401</u>
TOTAL OPERATING EXPENSE	<u>5,870,638</u>	<u>3,413,541</u>	<u>3,081,494</u>
INCOME FROM OPERATIONS	938,694	865,275	314,039
<b>OTHER INCOME (EXPENSE)</b>			
Interest and dividend income	38,491	18,560	4,441
Interest expense	(7,235)	(7,912)	(6,775)
Settlement of litigation - Note E	96,410	18,000	71,500
Gain on disposal of assets	9,132	0	0
Other	<u>1,571</u>	<u>1,500</u>	<u>0</u>
TOTAL OTHER INCOME (EXPENSE)	<u>138,369</u>	<u>30,148</u>	<u>69,166</u>
NET INCOME	\$ <u>1,077,063</u>	\$ <u>895,423</u>	\$ <u>383,205</u>

*The accompanying notes are an integral part of these statements*



PUROSYSTEMS, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2007, 2006 and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 1,077,063	\$ 895,423	\$ 383,205
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	42,226	33,982	28,549
Provision for bad debts	225,183	133,192	200,725
Gain on sale and disposal of fixed assets	(9,132)	0	0
Changes in operating assets and liabilities:			
Accounts and notes receivable	(473,448)	(275,886)	(206,009)
Due from/to affiliates	47,834	(32,746)	(35,841)
Prepaid broker fees	83,000	(82,750)	(170,250)
Prepaid expenses and other assets	(66,203)	(33,925)	28,603
Accounts payable and accrued expenses	46,974	39,714	36,160
Deferred revenue	<u>(137,000)</u>	<u>287,000</u>	<u>275,000</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	836,497	964,004	540,142
<b>INVESTING ACTIVITIES</b>			
Sale of fixed assets	65,368	0	0
Purchase of fixed assets	<u>(176,341)</u>	<u>(28,791)</u>	<u>(103,005)</u>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	(110,973)	(28,791)	(103,005)
<b>FINANCING ACTIVITIES</b>			
Stockholders' distributions	(1,042,493)	(546,802)	(348,768)
Borrowings (repayments) under line of credit, net	38,561	(13,612)	(202,833)
Repayments of notes payable	0	(4,296)	(24,446)
Borrowing under capital lease	128,444	0	98,820
Repayment of capital lease	<u>(83,273)</u>	<u>(16,330)</u>	<u>(10,798)</u>
<b>NET CASH (USED IN) FINANCING ACTIVITIES</b>	<u>(958,761)</u>	<u>(581,040)</u>	<u>(488,025)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(233,237)	354,173	(50,888)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>401,847</u>	<u>47,674</u>	<u>98,562</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ <u><u>168,610</u></u>	\$ <u><u>401,847</u></u>	\$ <u><u>47,674</u></u>
<u>Supplemental Disclosure of Cash Flow Information</u>			
Interest paid	\$ <u><u>7,236</u></u>	\$ <u><u>7,912</u></u>	\$ <u><u>6,775</u></u>

The accompanying notes are an integral part of these statements

PUROSYSTEMS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2007, 2006 and 2005

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2004	\$ 450	\$ 42,612	\$ 291,999	\$ 335,061
Net income			383,205	383,205
Stockholders' distributions			<u>(348,768)</u>	<u>(348,768)</u>
Balance, December 31, 2005	450	42,612	326,436	369,498
Net income			895,423	895,423
Stockholders' distributions			<u>(546,802)</u>	<u>(546,802)</u>
Balance, December 31, 2006	\$ 450	\$ 42,612	\$ 675,057	\$ 718,119
Net income			1,077,063	1,077,063
Stockholders' distributions			<u>(1,042,493)</u>	<u>(1,042,493)</u>
Balance, December 31, 2007	\$ <u>450</u>	\$ <u>42,612</u>	\$ <u>709,627</u>	\$ <u>752,689</u>

*The accompanying notes are an integral part of these statements*

PUROSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

A. NATURE OF BUSINESS

PuroSystems, Inc. (the "Company") formerly Purofirst International, Inc., was incorporated in Florida in 1990 and commenced operations in 1991. The Company is a franchisor, offering franchises for sale. Franchises offered are for the establishment of businesses that operate restoration and mitigation services for fire, water, and other forms of property casualty damage and certain casualty and non-casualty related cleaning services. Franchise agreements currently in effect provide for initial terms of 10, or 20 years and contain renewal provisions for one or more additional terms of 5 or 10 years. The Company's franchisees are located throughout the United States.

The stockholders of the Company also own Purofirst, Inc. and PuroSystems Products, Inc., (formerly Puroclean, Inc.). Purofirst, Inc. previously performed consulting services and sold products to dealers and currently engages in only minimal activity. PuroSystems Products, Inc. sells equipment and products to the Company's franchisees.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank and money market accounts.

Accounts Receivable

Accounts receivable are presented in the balance sheet net of the allowance for doubtful accounts and unamortized discount. Trade receivables with payment terms in excess of one year are discounted using interest rates prevailing at the time the receivables are originated. Discount is amortized to interest income over the contractual term of the receivables using the effective interest method. Interest is not recognized if regular payments are not being made.

Management evaluates the adequacy of the allowance for doubtful accounts monthly based on a review of individual accounts in the portfolio. The evaluation is inherently subjective, requiring estimates that are subject to revision as circumstances change or more information becomes available. The primary factors considered in determining the amount of the allowance are the aging of the accounts, customer payment history, economic conditions, and other adverse factors that may affect a customer's ability to repay. Accounts are charged off when they are deemed by management to be uncollectible. Accounts are aged based on their contractual terms.

PUROSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007

Fixed Assets

Fixed assets are depreciated using the straight-line method over their estimated useful lives, ranging from three to seven years. Amortization of assets under capital lease is included in depreciation expense.

Cash Surrender Value of Life Insurance

The Company is the owner and beneficiary of variable life insurance policies on the lives of certain key personnel.

Revenue Recognition

The Company is required to provide, and the franchisee is required to take, training in the various aspects of the restoration industry and the Company's procedures and methods before the franchisee commences operations. The Company recognizes income from initial franchise fees and the related expense from the broker fees after this pre-opening training has been completed and the Company has no remaining obligation to the franchisee or intent to refund any cash received or forgive any unpaid amounts receivable.

After the commencement of operations the franchisee is required to pay the Company a monthly royalty fee ranging from 2% to 10% of gross receipts, as defined in the franchise agreement. The Company is required to provide use of its proprietary marks and copyrighted materials and on-going support and technical assistance. The Company recognizes royalty fees when earned, based on monthly gross receipts as reported by franchisees.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense was \$389,375, \$49,015 and \$47,953 for the years ended December 31, 2007, 2006, and 2005, respectively.

Income Taxes

The Company and its stockholders have elected for the Company to be treated as an S Corporation for income tax purposes. Under this election, all profits and losses are directly attributable to the stockholders with no resulting tax effect to the corporation. Accordingly, there is no income tax provision recorded in the accompanying financial statements. The shareholders have elected to have certain state income taxes paid at the corporate level. Accordingly, the company paid state income taxes of \$14,477, \$19,272 and \$27,061 for the years 2007, 2006 and 2005 respectively. These amounts are included in selling and general administrative expense.

PUROSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related footnotes. Actual results could differ from those estimates. Significant estimates affecting the Company's financial statements include the amount of the allowance for doubtful accounts and the amount of the year-end accrual of royalty fee revenue. It is at least reasonably possible that these estimates could change in the near term.

Reclassifications

Certain amounts from 2006 and 2005 have been reclassified to conform to the 2007 presentation. These reclassifications had no effect on net income.

C. ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable at December 31, 2007 and 2006 consists of the following:

	<u>2007</u>	<u>2006</u>
Trade accounts and notes receivable - current	\$ 746,989	\$ 533,700
Less allowance for doubtful accounts	(218,836)	(106,941)
Less unamortized discount	<u>(30,619)</u>	<u>(18,623)</u>
Total current accounts and notes receivable - net	497,534	408,136
Trade notes receivable - long-term	268,855	114,659
Less allowance for doubtful accounts	(59,047)	(78,059)
Less unamortized discount	<u>(22,912)</u>	<u>(8,571)</u>
Total long-term trade notes receivable - net	<u>186,896</u>	<u>28,029</u>
Total accounts and notes receivable - net	\$ <u>684,430</u>	\$ <u>436,165</u>

PUROSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)  
December 31, 2007

D. NOTE PAYABLE AND LINE OF CREDIT

The Company has bank line of credit for \$325,000 bearing interest at the prime rate plus .75% (8.75% at December 31, 2007). The balance on the line of credit is due on demand and interest is payable monthly.

All of the debt is guaranteed by the Company's stockholders. The revolving line of credit is also guaranteed by PuroSystems Products, Inc. The line of credit is secured by a blanket lien on substantially all of the Company's assets. The fair value of the Company's outstanding debt is estimated to approximate carrying value at December 31, 2007. The balance at December 31, 2007 is \$38,561.

E. SETTLEMENT OF LITIGATION

During 2007, 2006 and 2005, the Company was awarded judgments against former franchisees totaling \$96,410, \$18,000 and \$71,500, respectively

F. RELATED PARTY TRANSACTIONS

The Company shares office space with its affiliates and is reimbursed for certain administrative and office expenses paid on their behalf. For the years ended December 31, 2007, 2006, and 2005, the total amount of these expenses were approximately \$199,000, \$205,000 and \$198,000, respectively. The above amounts include a management fee the Company charged PuroSystems Products, Inc. of \$102,000 in 2007, 2006 and 2005.

The asset "Due from affiliate, net" in the December 31, 2007 and 2006 balance sheet represents amounts due to and receivable from PuroSystems Products, Inc. and Purofirst, Inc.

PUROSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)  
December 31, 2007

G. COMMITMENTS AND CONTINGENCIES

The Company leases some of its office equipment under a capital lease. The net book value of equipment under capital lease was \$124,163 at December 31, 2007. As of December 31, 2007, future payments required under the capital lease are as follows:

2008	\$ 29,306
2009	29,306
2010	29,306
2011	29,306
2012	29,306
Thereafter	<u>2,442</u>
Total	148,972
Less portion representing interest	<u>(23,924)</u>
Present value of future minimum lease payments	125,048
Less current portion	<u>(21,225)</u>
Long-term portion	\$ <u>103,823</u>

The Company has entered into operating leases for office facilities and office equipment. The noncancelable, future minimum lease payments required under operating leases with an initial term in excess of one year are as follows:

2008	76,743
2009	74,579
2010	<u>24,273</u>
Total minimum lease payments	\$ <u>175,595</u>

Total rent expense net of amounts reimbursed by affiliates for the years ended December 31, 2007, 2006 and 2005 was \$85,464, \$91,788 and \$115,746, respectively.

In the normal course of business, the Company is a party to claims and litigation. These claims are generally covered by insurance. Management does not believe the outcome of any of these matters will have a material adverse impact on the Company's operations or financial condition.

PUROSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)  
December 31, 2007

H. PROFIT SHARING PLAN

The Company has a 401(k) plan covering all employees over 21 years of age who have completed one year of service. Employees may contribute between 1% and 50% of their gross pay to the 401(k) plan, up to a maximum allowed by the Internal Revenue Code. The Company will contribute a matching contribution to the Plan on behalf of each eligible employee equal to 100% of the amount of the employee's elective deferrals that do not exceed 3% of the employee's compensation for the Plan year, plus 50% of the amount of the employee's elective deferrals that exceed 3% of the employee's compensation but that do not exceed 5% of the employee's compensation. During 2007, 2006 and 2005 the company made matching contributions of \$34,624, \$23,763 and \$17,651, respectively. The Company may make a discretionary profit-sharing contribution each year as determined by the Board of Directors. During 2006 a profit sharing contribution was made of \$62,910. No contributions were made during 2007 and 2005.

I. FRANCHISE INFORMATION

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Franchises in operation, beginning of year	132	114	78
New franchises commencing operations during the year	81	48	56
Franchises not renewed, closed or terminated	<u>(31)</u>	<u>(30)</u>	<u>(20)</u>
Franchises in operation, end of year	<u>182</u>	<u>132</u>	<u>114</u>



**EXHIBIT D**

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**EXHIBIT E**  
**FRANCHISE AGREEMENT**



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ADDENDA

STATE SPECIFIC ADDENDA

## FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is entered into this \_\_\_\_ day of \_\_\_\_\_, 200\_\_, by PUROSYSTEMS, Inc., a Florida corporation located at 6001 Hiatus Road, Suite 13, Tamarac, Florida 33321) ("**Franchisor**") and \_\_\_\_\_ ("**Franchisee**") whose home address is: \_\_\_\_\_, and whose Protected Office Location ("POL") shall be the following: \_\_\_\_\_

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### RECITALS

A. Franchisor is the owner of the service mark PUROCLEAN and offers franchises under that service mark for (a) casualty drying and casualty cleaning businesses using that name which provide deodorizing, cleaning, drying, painting, repairs, remediation, construction, mitigation, replacement and related services and products and subcontract services to insurance companies, business and residential clients and others which have been subject to fire, flood, vandalism, trauma, mold and/or other casualties whether or not covered by insurance and (b) purification and cleaning of HVAC systems, indoor air, structures, real property and personal property whether or not damaged by a casualty loss.

B. Franchisor has developed valuable formats, procedures, and practices used in the operation of those (a) casualty restoration and casualty contracting and (b) casualty drying and casualty cleaning businesses and purification businesses (the "**System**") in which Franchisee will receive specific training in the subjects described in the confidential Operations Manual and such other manuals and instructional materials as Franchisor creates in the future for use in the PUROCLEAN® Franchise Business (the "**Manuals**"). Franchisor is developing procedures, practices and training for certain additional concepts in the field of purification and cleaning of HVAC systems, indoor air, structures, real property and personal property which may or may not be now contained in the Manuals.

C. Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance, and service developed as part of the System and the necessity of operating the business franchised hereunder in conformity with Franchisor's System standards and specifications.

NOW, THEREFORE, the parties agree as follows:

#### **1. GRANT OF FRANCHISE**

Franchisor grants to Franchisee the right and Franchisee undertakes the obligations, upon the terms and conditions set forth in this Agreement: {1} to establish and operate a PUROCLEAN (a) emergency mitigation and a drying and cleaning businesses which provide deodorizing, cleaning, drying, painting, repairs, remediation, construction, mitigation, replacement and related services and products and subcontract services to insurance companies, business and residential clients and others which have been subject to fire, flood, vandalism, trauma, mold and/or other casualties whether or not covered by insurance and (b) purification and cleaning of HVAC

systems, indoor air, structures, real property and personal property whether or not damaged by a casualty loss (the Franchise Business) and {2} to use the mark "PUROCLEAN," and such other trademarks, trade names, service marks, and logos as are now designated and may hereafter be designated by Franchisor in connection with the Franchise Business (the "Proprietary Marks").

If Franchisee is a corporation, partnership, limited liability corporation or other type of entity, then the term Franchisee shall include, individually and collectively, the officers, directors, shareholders, limited partner, general partner, and any others who directly or indirectly, control or benefit in and from Franchisee.

## **2. TERM AND RENEWAL**

2.1 This Agreement is effective upon acceptance by Franchisor and, except as otherwise provided herein; the initial term shall be twenty (20) years.

2.2 Franchisee may, subject to the following conditions, renew this Agreement for one (1) additional, ten (10) year consecutive term. The following conditions shall be met prior to renewal:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew no less than twelve (12) months prior to expiration of the term and sign the then-current Franchise Agreement to become effective at the end of this Agreement, the terms of which may vary significantly from this Agreement, as further discussed in Section 2.2.3. If Franchisee fails to execute the renewal Franchise Agreement before twelve months prior to the expiration of this Agreement, the Protected Office Location conditions provided under Section 3.2 shall no longer be a restriction on Franchisor during the last twelve (12) months of this Agreement and this Agreement shall automatically expire at its own conclusion, without the need for any further writing between the parties.

2.2.2 Franchisee shall not be in default of any provision of this Agreement, any amendment or successor agreement, and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof.

2.2.3 Franchisee shall execute Franchisor's then-current renewal franchise agreement, which shall not require Franchisee to pay an Initial Franchise Fee and Franchisor shall not be obligated for any initial set-up programs or materials. The terms of such renewal franchise agreement may vary significantly from the terms of this Agreement, and the Minimum Royalty Fee shall increase during each year of the ten-year renewal by the Consumer Price Index, all Urban Consumers (1982-84 = 100), published by the U.S. Department of Labor, Bureau of Labor Statistics ("CPI") as published by the Federal Government over the Minimum Royalty Fee owed for the prior year (including the last year of this Agreement).

2.2.4 Franchisee and Franchisor shall execute a mutual release, in a form prescribed by Franchisor, of any and all claims against each other and their affiliates, and their respective officers, directors, agents, and employees.

### 3. TERRITORY

3.1 Franchisee shall operate the Franchise Business only from a location within the POL.

3.2 Except as otherwise provided herein, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person the right to establish or operate, a PUROCLEAN business from an office or business address located within your POL.

3.3 Franchisee acknowledges and agrees that Franchisor has the right, without providing compensation to any franchisee, to:

- (i) establish and operate a franchised or company-owned PuroClean business whose office or business address is located outside Franchisee's POL;
- (ii) establish and operate, and/or license others to establish and operate, within and outside of Franchisee's POL, any business providing services under marks other than the PuroClean Proprietary Marks in the areas of casualty contracting, casualty restoration, remediation, mitigation, construction, purification, drying, cleaning, painting, repair, and replacement services and/or subcontract services to insurance companies, business and residential clients and others who have been subject to fire, flood, vandalism, trauma, mold and/or other casualties, as well as, purification, cleaning and odor removal services whether or not casualty related, which business or businesses may solicit and provide services to any customer located inside and outside Franchisee's POL;
- (iii) offer, sell or distribute, within and outside Franchisee's POL, any products associated with the PuroClean System (now or in the future) or identified by the PuroClean Proprietary Marks, or any other marks, through any distribution channels or methods, including, without limitation, to other cleaning or restoration service 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); and
- (iv) 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 offer or sell products and services that are the same as, similar to, or different than the products and services offered at or from Franchisee's Franchise Business, and which may be located anywhere within or outside Franchisee's POL.

3.4 Franchisee shall select an office (the "Office") location only within the POL. Selection of the Office shall be the responsibility of the Franchisee. The location of the Office must be approved in advance by Franchisor; however, Franchisor makes no representations as to the success of any location or of the POL. Franchisee shall not relocate the Office without Franchisor's prior written approval.

**4. OBLIGATIONS OF FRANCHISOR**

Provided that Franchisee is not in default of the terms and conditions of this Agreement, Franchisor shall provide the following services to Franchisee:

4.1 Use of Franchisor’s Proprietary Marks for the Franchise Business and copyrighted materials during the term of this Agreement;

4.2 Initial training at Franchisor’s location;

4.3 A copy of Franchisor’s Manuals, on loan for the term of this Agreement, as more fully described in Section 9 below, manuals may be supplied through a secured web-page on the Franchisor’s web-site, CD or any other electronic or print media;

4.4 Trade and operating procedures and methods as set forth in the Manuals (which shall be maintained as confidential and secret by Franchisee);

4.5 Ongoing support and technical information by telephone, internet, intranet, ASP or other technology that may be available in the future; and

4.6 Marketing and advertising consulting by telephone, internet, intranet, ASP or other technology that may be available in the future.

Franchisee acknowledges and agrees that Franchisor has the right to modify, add to or rescind any requirement, standard or specification that Franchisor prescribes under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and technological innovations and other changes as Franchisor deems appropriate. Franchisee must comply with these modifications at its expense. Any obligation or action initiated by Franchisor in the future and not specifically provided for in this Section shall not be an obligation of the Franchisor and maybe discontinued or modified at anytime in the sole judgment of Franchisor.

**5. FEES**

5.1 Initial Franchise Fee. In consideration of the franchise granted herein, Franchisee shall pay to Franchisor upon the execution of this Agreement \$37,500. All payments to Franchisor are fully earned and nonrefundable under any circumstances.

5.2 Each month during the term of this Agreement, Franchisee shall submit to Franchisor, a royalty fee (the “**Royalty Fee**”) equal to the greater of the “Actual Royalty Fee” or the “Minimum Royalty Fee.”

The Actual Royalty Fee shall be computed as follows:

<b>On Increment of Monthly Gross Receipts</b>	<b><u>You Pay</u></b>
For your first \$0 to \$19,999.99 of Gross Receipts	10%

For your next \$20,000 to \$39,999.99 of Gross Receipts	9%
For any remaining Gross Receipts of \$40,000 and over	8%

The Minimum Royalty Fee will be determined by the following chart:

<u>Period of Term</u>	<u>You Pay</u>
1 <sup>st</sup> year	\$400
2 <sup>nd</sup> year	\$1,000
3 <sup>rd</sup> year	\$1,500
4 <sup>th</sup> year	\$2,500
5 <sup>th</sup> year	\$2,500

For each year over the initial five years, the monthly Minimum Royalty Fee will be determined by the prior year's monthly Minimum Royalty Fee, plus an amount equal to the percentage change in the Consumer Price Index, all Urban Consumers (1982-84 = 100), published by the U.S. Department of Labor, Bureau of Labor Statistics ("CPI") for the period from January 1 through December 31 of the year immediately prior to the upcoming anniversary or renewal year of this Agreement.

At any time during any calendar year, if Franchisee has paid Actual Royalty Fees plus Minimum Royalty Fees that are equal to or greater than the total Minimum Royalty Fees payable for that calendar year, then no further Minimum Royalty Fee would be due for the balance of that calendar year. Actual Royalty Fees are however, always required to be paid in full each month. Once an Actual Fee or Minimum Fee is paid, it is neither refundable nor creditable to any future or past fees owed. So long as the Franchise Business is opened within 60 days of signing this agreement and there is no default of this agreement during the first year, Minimum Royalty Fees for the first three months of this Agreement are waived (there is no waiver if this agreement is signed as a renewal or transfer). Actual Royalty Fees are not waived and must be paid in a timely manner.

If this Agreement is transferred or if this Agreement is entered into as a result of a transfer or renewal, a) Actual Royalty Fee shall remain at the same rate as the prior agreement and b) Minimum Royalty Fee shall be determined by (1) using the date of the original Franchise Agreement as the beginning date and the original minimums due and (2) using the formula in Section 5.2 of this Agreement to calculate the Minimum Royalty Fee to be paid in accordance with this Agreement.

5.3 Franchisee's obligation to pay a Royalty Fee shall commence on the earlier of the first month that the Franchise Business opens or sixty (60) days after the Agreement is executed. The Royalty Fee shall be calculated based upon a Royalty Report prepared each month by Franchisee reflecting the Franchise Business's Gross Receipts (as defined in Section 5.4 below)

during the preceding month, and submitted along with the Royalty Fee to Franchisor by e-mail or other electronic means designated by Franchisor on or before the 8<sup>th</sup> day of each month. Franchisee authorizes Franchisor to make automatic direct electronic withdrawals, at least monthly, of the Royalty Fee from the Franchisee's bank account. Franchisee shall deposit proceeds of the Franchise Business only in a bank account approved in advance by Franchisor. Franchisee shall sign all documents and perform any other acts reasonably requested by Franchisor to enable Franchisor to make automatic direct electronic withdrawals from Franchisee's bank account. In the event that Franchisor does not receive a Royalty Report by the 8<sup>th</sup> day of any month, Franchisor shall have the right to withdraw from Franchisee's bank account an amount equal to the previous month's Royalty Fee withdrawal plus an additional 10% pending the receipt of such month's Royalty Report, at which time Franchisor shall be authorized to make an additional withdrawal for any remaining Royalty Fee amounts due, provided however, that any Royalty Fee overpayment shall be credited toward Franchisee's next monthly Royalty Fee payment. Except to the extent prohibited by law, Franchisee shall pay any fees or penalties imposed by any financial institution, plus an additional Twenty-five Dollars (\$25) administrative fee which results from (a) the inability to transfer funds from Franchisee's bank account to Franchisor or (b) each attempt of the Franchisor to verify available funds in the approved bank account. This payment shall be deemed an additional Royalty Fee due pursuant to this Agreement. In the event that any such fee shall have been collected in violation of law, the amount collected shall be promptly refunded to Franchisee. Any payment or report not received by Franchisor on or before the due date shall be deemed overdue if not e-mailed and paid by the 14<sup>th</sup> day of the month in which the payment or report is due. If any payment is overdue, Franchisee shall pay Franchisor immediately upon demand, the greater of ten dollars (\$10) per day or 5% per day of the amount due in addition to the actual amount due. The overdue fee shall be calculated on each individual monthly fee due independent from other overdue amounts collected by the Franchisor from the Franchisee will first be applied to overdue fees, then interest, then to past due Royalty Fees and then to other fees.

5.4 As used in this Agreement, Gross Receipts means all revenue and income of every kind relating to the operation of the Franchise Business (including but not limited to deposits and prepayments) and income derived from the direct and indirect use of Franchisor's Proprietary Marks. If Franchisee sells any unapproved products, services or supplies in violation of the terms of this Agreement, Franchisee must include all revenue and income or revenue from the sale in its Gross Receipts. If Franchisee refers work that would be covered under this Agreement to another party, Franchisee shall be obligated to include an amount equal to the total amount paid to the referred party as Gross Receipts. Gross Receipts shall not include any sales taxes or other taxes collected by Franchisee for transmittal to the appropriate taxing authority.

5.5 Franchisee shall pay a registration fee each year for the Annual National Convention which is payable thirty (30) days before the Convention begins. The registration fee will be determined by the Franchisor and will vary from year to year. Franchisee is required to pay the registration fee even if the Franchisee does not attend the Convention.

5.6 All fees including interest and late fees, paid to Franchisor pursuant to this Agreement are nonrefundable.

## 6. MARKETING

6.1 Franchisee shall conduct at its sole expense an active local advertising media campaign and spend at least 2% of its annual Gross Receipts on local advertising which has been approved in advance by Franchisor or its agent. Franchisee agrees to conduct all marketing and promotional activities in accordance with the requirements of Franchisor, as set forth in the Manuals or otherwise in writing. Franchisee shall not use any marketing or promotional materials unless and until Franchisee has received written approval from Franchisor. Franchisee shall submit samples of all marketing and promotional plans and materials to Franchisor, for Franchisor's prior approval if such plans and materials have not been prepared or previously approved by Franchisor. If written notice of disapproval is not received by Franchisee from Franchisor within fifteen (15) days of Franchisor's receipt of such materials, Franchisor shall be deemed to have approved them.

6.2 In addition to the other advertising requirements in this Agreement, Franchisee shall, at Franchisee's sole expense, maintain a minimum of a quarter page yellow page display advertisement in the predominant local yellow page book that covers the greater local franchise market area, an area that may be different than the Protected Office Location, as determined by the yellow page media agency designated by Franchisor. Size, placement and design of the yellow page ad shall be determined and administered by the Franchisor either directly or through Franchisor's authorized national agency and paid for directly by Franchisee to the authorized national agency. After the first five years of this Agreement, and for all subsequent years, Franchisor may, upon 60 days written notice to Franchisee, require Franchisee to maintain yellow-page advertising in accordance with the yellow page advertising requirements of the Franchisor's then current Franchise Agreement. As a result, Franchisee may be required to maintain a yellow page ad larger than a quarter page approved yellow page advertising. Yellow page advertising shall be placed in the first available yellow page book after the signing of the Franchise Agreement, even if placing the order is before initial training of Franchisee. Franchisee agrees the Franchisor may alter the media (change from yellow pages to another type) of advertising to keep current with changing types of advertising. Nothing contained in this section shall be deemed to establish an advertising cooperative, however, Franchisor may designate certain geographic areas for the purpose of establishing cooperative advertising to be participated in by franchisees located within a certain geographic area to establish a larger presence in a market served by more than one Franchisee. Franchisor reserves the right to combine these resources in the form of a local or regional advertising cooperative as Franchisor may determine; but any cooperative shall not lessen the required amount each Franchisee is obligated to spend and may result in Franchisee paying an unequal amount of the cost of the marketing.

6.3 In addition to the other advertising requirements in this Agreement, Franchisee shall pay a Marketing Fee to Franchisor in the amount of 2% of Monthly Gross Receipts. The Marketing Fee shall be paid at the same time and in the same manner as the Royalty Fee as set forth in Section 5.3 of this Agreement. All Marketing Fees will be placed in a Marketing Fund that Franchisor owns and manages. On behalf of any Franchisor-owned PUROCLEAN businesses, Franchisor will pay the same Marketing Fee as the Franchise Businesses in the same local marketing area. Franchisor also may contribute to the Marketing Fund from time to time. The Marketing Fund will not be a trust or escrow account, and Franchisor has no fiduciary obligation to franchisees with respect to the Marketing Fund; provided, however, Franchisor will make a good



faith effort to expend such fees in a manner that Franchisor determines is in the general best interests of the System. Franchisor has the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs including the option for individual marketing training in Franchisee's POL. Because of the methods used, Franchisor is not required to spend a prorated amount on each business or in each advertising market. Franchisor has the right to make disbursements from the Marketing Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. The disbursements may include payments to Franchisor for the expense of administering the Marketing Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the marketing functions. If requested, Franchisor will provide Franchisee an annual un-audited statement of the financial condition of the Marketing Fund. Franchisor shall not be obligated for any reason to pay the Marketing Fee owed by any franchisee nor is Franchisor obligated to collect Marketing Fees.

## **7. FRANCHISEE'S OBLIGATIONS**

No obligation, agreement, option, license, acknowledgment, or permission (individually or collectively) contained in this section or any other section of this Agreement shall be construed to establish an agency relationship between the parties of this Agreement.

Franchisee agrees to operate the Franchise Business in accordance with the following standard terms and conditions:

7.1 Prior to the opening of the Franchise Business, Franchisee (or, if Franchisee is a corporation, limited liability company or partnership, each principal of Franchisee owning 25% or more of the Franchise Business), and, at Franchisor's option, Franchisee's manager (where the Franchisee or a principal of Franchisee will not manage the Franchise Business because of ownership in more than one PuroSystems, Inc. franchise), shall attend and complete Franchisor's initial training program for franchisees and managers. At Franchisor's option, any manager subsequently employed by Franchisee shall also complete Franchisor's training program, to Franchisor's satisfaction. Franchisee and Franchisee's manager and other employees shall also attend such additional courses, seminars, and other training programs as Franchisor may reasonably require from time to time.

7.2 All training courses, seminars, and programs (collectively, "training") shall be at such times and places as may be designated by Franchisor. For all initial training required of Franchisee, Franchisor will provide instruction and one set of training materials to Franchisee at no charge. Franchisee or its employees shall be responsible for any and all other expenses incurred by them in connection with any such training including, without limitation, the costs of transportation, lodging, meals, and wages. After initial training, Franchisor will provide to Franchisee, or if Franchisee is a business entity, to Franchisee's designated principal, instruction and training materials at no charge. Franchisor may, however, charge the then current training fee for employees of Franchisee who attend, or are required to attend, such additional required training. From time to time, optional training may be offered to Franchisees and/or Franchisees' employees for a fee to be determined by Franchisor in its sole judgment. For all required and optional training, Franchisee or its employees shall be responsible for any and all expenses

incurred by them including, without limitation, the costs of transportation, lodging, meals, and wages.

7.3 Franchisee shall keep the Franchise Business open and in normal operation, and shall directly supervise the Franchise Business exclusively for no less than 40 hours each week, and shall operate the Franchise Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. If Franchisee is the owner of more than one Franchise Business, Franchisee may employ a full time manager to manage other Franchise Businesses. Franchisee shall not deviate from such standards, specifications, and procedures without Franchisor's prior written consent.

7.4 Franchisee agrees to offer and sell only those services, items and products specified by Franchisor and in the manner and method specified by Franchisor in the Manuals or otherwise in writing. In the event that Franchisor wishes to expand or modify the products or services offered for sale within the System, upon written notice from Franchisor, Franchisee agrees to expand or modify the products or services offered for sale and agrees to acquire the equipment necessary for such change or modification within ninety (90) days after written notification by Franchisor. Franchisee agrees to purchase at least \$2,500 annually in consumable branded products and equipment from PuroSystems Products, Inc. Each year after the first year of this Agreement, the minimum required purchase amount shall be increased to reflect the increase in the Consumer Price Index.

7.5 Franchisee agrees to operate the Franchise Business in accordance with standards established by Franchisor, including but not limited to, hours of operation, signs, equipment, replaceable supplies and in compliance with all applicable Federal, State and local laws, ordinances and regulations. To promote uniformity throughout the system, Franchisee agrees to use only those displays, signs, equipment and products and services approved in advance and in writing by Franchisor.

7.6 All products, equipment and supplies used and offered for sale by Franchisee in the Franchise Business shall meet Franchisor's then-current standards and specifications, as established in the Manuals or otherwise in writing. For purposes of standardization and uniformity and to enhance the recognition of the Proprietary Marks, all equipment purchased by Franchisee shall comply with Franchisor's then-current requirements for colorization and logo placement. Franchisee shall use only the standard decaled trade vehicle approved in advance by Franchisor. Such vehicle shall not display any unauthorized signage, have dents or other blemishes or be older than 48 months. Franchisee shall purchase all products and equipment solely from Franchisor, Franchisor's affiliate, or from suppliers who demonstrate to Franchisor's continuing reasonable satisfaction the ability to meet Franchisor's standards and specifications, who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved by Franchisor in the Manuals or otherwise in writing. Franchisor or its affiliate will be the only approved supplier of the initial Equipment and Supplies Package, as well as many of the other equipment, products and supplies used in the Franchise Business. Franchisor or its affiliate will derive revenue from the sale of these items.

7.7 Franchisee shall purchase and maintain, at Franchisee's sole expense, such products, accessories, equipment, and supplies prescribed by Franchisor in the Manuals or

otherwise in writing. Franchisee shall at all times stock and maintain all types of approved products in quantities sufficient to meet reasonably anticipated customer demand. Franchisee will pay the then-current price in effect for any approved products identified by Franchisor in the Manuals or otherwise in writing. In some instances, the cost for the approved products may be higher than the cost of other similar products on the market.

7.8 Franchisee shall maintain a competent, conscientious, trained staff, including a fully trained manager (who may be Franchisee). Franchisee shall take such steps as are necessary to ensure that its employees present a neat and clean appearance in conformance with Franchisor's reasonable standards and render competent, efficient service to clients of the Franchise Business. Regardless of the management and employment standards recommended by Franchisor, Franchisor shall have no control in the day-to-day performance, activities, hiring, or termination (regardless of the reason) for any employee of the Franchise Business.

7.9 Franchisee shall prepare and preserve for at least five (5) years from the dates of their preparation books, accounts, records, and order receipts and as required by Franchisor in the form and manner designated by Franchisor in the Manuals or otherwise in writing. To promote the standardization and uniformity of all franchise operations and such good business procedures, Franchisee agrees that such books, accounts, and records shall be available for inspection and audit by Franchisor or its representatives at all reasonable times. In the event Franchisor conducts an audit of Franchisee's operations, and finds that Franchisee has failed, for whatever reason(s), to properly report its sales to Franchisor, Franchisee will pay any deficiency within ten (10) days of the completion of the audit. If such audit reveals the Franchisee has understated Gross Receipts by 5% or more in any one month, Franchisee shall pay the cost of the audit. Franchisee also shall transmit to Franchisor certified, signed copies of all income and sales tax returns or amended tax returns filed by Franchisee(s), any direct or in direct affiliate of Franchisee and Director(s), Beneficiaries, or shareholder(s) of Franchisee. Transmittal to Franchisor shall be done contemporaneously with the filing with the appropriate taxing authority.

7.10 Franchisee further agrees that, in order to maintain the high quality and uniform standards associated with the Franchise Business and to protect its goodwill and reputation, Franchisee shall permit Franchisor during business hours to inspect the Office, confer with Franchisee and Franchisee's employees and customers, check inventories, methods, books, records, computer data, price lists and to perform any other inspection including copying of documents and computer data deemed by Franchisor to be necessary to protect the standards of quality and uniformity of the Franchise Business and Franchisee's performance under this Agreement. Franchisee shall transmit or allow to be transmitted data contained in the computers or computer used by the Franchisee to the Franchisor either directly or indirectly through a third party authorized by the Franchisor. Franchisee shall, at its sole expense, provide and maintain the information and data transfer capability designated by the Franchisor. No inspection, check, or conference permitted under this Agreement shall be construed to establish an agency relationship between the parties of this Agreement.

7.11 Franchisee shall procure and maintain during the term of this Agreement public liability and property damage insurance covering the operation of the Franchise Business and the Office, with insurance carriers reasonably acceptable to Franchisor in a minimum amount of two million dollars (\$2,000,000) combined single limit and real and personal property insurance

including fire and extended coverage on an all risk replacement cost basis for the first five years of this Agreement. After the first five years, Franchisee must maintain coverage as required by each sequential then current Franchise Agreement even though Franchisee is not a party to the then current Franchise Agreement. Said policy shall include coverage for bodily injury (including death) and property damage during and in the course of the cleanup and restoration of property damaged by fire, smoke, soot, vapors, gases, waste, mold, water and all other substances encountered in the normal course of the Franchise Business. Franchisee shall carry such insurance as may be required by the lease for the Office or by any lender or equipment lessor of Franchisee and such workers compensation insurance as may be required by applicable law. Franchisee shall add Franchisor, its affiliates, officers, directors, and employees to all insurance policies as additional named insured, the cost of which shall be paid by Franchisee.

7.12 Franchisee agrees to pay Franchisor when due all moneys owed Franchisor including, but not limited to principal, interest and late fees, as well as past due Royalty Fees.

7.13 Franchisee shall procure, maintain and exclusively use, at Franchisee's sole expense, estimating, accounting, Internet, Intranet, and other business and industry software of a type and from a source then currently designated by Franchisor. The type and/or source may change from time to time and the software may be customized for the System.

7.14 Franchisee further agrees to use, at Franchisee's expense, telephone numbers, email addresses, facsimile numbers and other forms of internal and external communication that may be owned and controlled by Franchisor, but administered by a third party designated by Franchisor. No other form of communication may be used by Franchisee without the written approval of Franchisor.

7.15 Franchisee shall procure, maintain and use, at the Franchisee's sole expense, uniforms from the uniform service then currently designated by Franchisor. The uniform service may change from time to time.

7.16 Franchisee shall pay to Franchisor (or any subsidiary, affiliate, or designee) promptly and when due the amount of all sales taxes, use taxes, personal property taxes, and similar taxes imposed upon, required to be collected, or paid by Franchisor or an affiliate on the account of services or goods furnished by Franchisor or affiliate to Franchisee through sale, lease, or otherwise or on account of collection by Franchisor of the Initial Franchise Fee, Equipment and Supplies Package Fee, Actual or Minimum Royalty Fee, Marketing Fee, and any additional on-going supplies or other payments to the Franchisor pursuant to this Agreement.

7.17 Franchisee acknowledges the importance of interaction among franchisees in a learning environment for the development of the Franchise Business. Therefore, Franchisee is obligated to attend all working sessions of each Annual National Convention ("Convention") held after the first twelve months that the Franchise Business is opened. Franchisee is responsible for all costs incurred in attending the Convention including the then-current registration fee and travel, lodging and meal costs. Franchisor has the right to determine the dates, location, registration fee and format of all Conventions. Franchisor also has the right to discontinue or change the frequency of the Conventions.

## 8. PROPRIETARY MARKS

8.1 Franchisor represents that it has the right to use and license others to use the Proprietary Marks.

8.2 With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

8.2.1 Franchisee shall use only the Proprietary Marks designated in writing by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor;

8.2.2 Unless otherwise authorized by Franchisor, Franchisee shall operate and advertise the Franchise Business only under the name "PUROCLEAN" and shall use all Proprietary Marks without prefix or suffix. Name of the Franchise Business shall be the authorized service mark and a geographic designation that fairly represents the Protected Office Location and the name shall be approved, in advance, by Franchisor. Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name or without the expressed written consent of Franchisor. Franchisee shall file all assumed name or equivalent registrations as required by state and local laws, and shall send copies of such registrations to Franchisor; and

8.2.3 Franchisee shall identify itself as the owner of the Franchise Business (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including, but not limited to, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as Franchisor may designate in writing at the Office and on any vehicles used in the operation of the Franchise Business. Franchisee must hold itself out to the public as an independent contractor operating the Franchise Business pursuant to a license from Franchisor. Franchisee shall notify each potential customer prior to the customer authorizing the commencement of work that the Franchisee is not an agent (real or apparent) of the Franchisor and such notification shall be in writing.

8.3 Franchisee expressly understands and acknowledges that except as specified in Section 3.2 hereof, the license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (i) establish and operate a franchised or company-owned business whose office or business address is located outside Franchisee's POL; (ii) offer, sell or distribute, within and outside Franchisee's POL, any products associated with the System (now or in the future) or identified by the Proprietary Marks through any distribution channels or methods, including, without limitation, to other cleaning or restoration service 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); (iii) 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 offer or sell products and services that are the same as, similar to, or different than the products and services offered at or from Franchisee's Franchise Business, and which may be located anywhere within or outside Franchisee's POL; and (iv) change the System presently identified by the Proprietary Marks

including adoption of new Marks, new products, new equipment or new techniques, all of which Franchisee must adopt..

8.4 Franchisor has no obligation to defend or indemnify Franchisee if a claim, suit or demand against Franchisee arises out of or relates to Franchisee's use of the Marks.

8.5 Franchisee may not make any changes or substitutions whatsoever in or to the use of the Marks unless directed by Franchisor in writing. Franchisor reserves the right to change the Marks at any time. Upon receiving written notice from Franchisor, Franchisee must, at its expense, immediately make such changes and use such substitutions to the Marks as Franchisor may require.

## **9. CONFIDENTIAL OPERATIONS MANUALS**

9.1 In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System(s), Franchisee shall operate the Franchise Business in accordance with the standards, methods, policies, and procedures specified in the Manuals, one copy of which Franchisee shall receive on loan from Franchisor for the term of this Agreement. Manuals may be supplied to Franchisee through a secured area of Franchisor's website, on CD, or through any other electronic or print media.

9.2 Franchisee shall treat the Manuals, any other manuals created for or approved for use in the operation of the Franchise Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not copy, duplicate, record, or otherwise reproduce (including electronically) the foregoing materials, in whole or in part, or otherwise make them available to any unauthorized person. The Manuals shall remain the sole property of Franchisor and shall be kept in a secure place in the Office. Franchisee shall not divulge any password to Franchisor's website or CD.

9.3 Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to comply with each new or changed standard.

9.4 Any required standards exist to protect our interest in the System and the Marks and not for the purpose of establishing any control, or the duty to take control, over those matters that are reserved to Franchisee.

## **10. INDEMNITY**

10.1 Franchisee shall indemnify and hold Franchisor, and Franchisor's officers, directors, employees, agents, successors, and assigns harmless from all fines, expenses, claims, demands, judgments, taxes or other liability or costs of any kind (including reasonable attorneys' fees) arising directly or indirectly from, or in connection with Franchisee's operation, transfer or purchase of the Franchise Business. Indemnity includes, but not limited to, any claims based on the negligence, duty, actions or inaction of any of the above parties and covers bodily injury, death and property damage.

10.2 Franchisee shall defend Franchisor and Franchisor's officers, directors, employees, agents, successors and assigns from any and all claims against Franchisor, the Franchisor's officers, directors, employees, agents, successors and assigns resulting, directly or indirectly, from the operation, transfer or purchase of the Franchise Business. Franchisor shall have the right to select and control its counsel. The requirement of Franchisee to defend Franchisor and Franchisor's officers, directors, employees, agents, successors, and assigns is independent from Franchisee's obligation to indemnify Franchisor, its affiliates, and their officers, directors, employees, agents, successors, and assigns. The obligation to defend includes, but not limited to, any claims based on the negligence, duty, actions or inaction of any of the above parties and covers bodily injury, death and property damage.

10.3 The provisions of this Section shall survive transfer, termination or expiration of this Agreement.

## **11. CHANGE OF OWNERSHIP**

11.1 Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisee shall execute such documents of attornment or otherwise as Franchisor shall request.

11.2 Franchisor entered into this Agreement with specific reliance upon Franchisee's financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Franchise Business. Consequently, neither Franchisee's interest in this Agreement or the Franchise Business, nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in Franchisee or in the Franchise Business may sell, assign, transfer, convey, pledge, encumber, merge, or give away any direct or indirect interest in this Agreement (a "transfer"), in Franchisee, or in all or any of the assets of the Franchise Business without the prior written consent of Franchisor. A transfer may only be to a natural person(s). Any purported assignment or transfer not having the written consent of Franchisor required by this Section 11.2 shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate the Franchise Agreement without opportunity to cure pursuant to Section 12.2 of this Agreement.

11.3 Franchisee shall notify Franchisor in writing of any proposed transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchise Business and the identity of the proposed transferee at least thirty (30) days before such transfer is proposed to take place to obtain Franchisor's consent to the transfer. Franchisor shall not unreasonably withhold its consent to any transfer, but if a transfer, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of changing control or ownership of Franchisee, this Agreement, or all or substantially all of the assets of the Franchise Business, Franchisor may require any or all of the following as conditions of its approval:

11.3.1 Transferee agrees to successfully complete the training program required of all new franchisees and pays to Franchisor a transfer fee equal to the greater of \$20,000 or the then-current transfer fee;

11.3.2 Franchisee pays to Franchisor all moneys due and cures any existing defaults under this Agreement; and

11.3.3 Transferee signs a then-current Franchise Agreement, the term of which shall be the term of then current Franchise Agreement; provided, however, that the transferee shall not be required to pay an initial franchise fee.

11.3.4 In addition to paying the transfer fee, if Franchisee transfers any rights or obligations of the Franchise Agreement or any or all of the assets of Franchise Business to a person or entity that has been referred to Franchisor by a third party (for example, a broker) as a prospective franchisee, Franchisee will pay a referral or broker fee to the referring party prior to the transfer. The amount of the referral or broker fee will equal the amount of any referral or broker fee incurred by Franchisor relating to the proposed transferee. In addition, if the proposed transferee has been registered by Franchisor as a prospective franchisee, Franchisee shall pay to Franchisor the greater of the then current Franchise Development Resale Fee or ten percent (10%) of the total sale amount.

Prior to the execution of any agreement between Franchisee and the proposed transferee, Franchisee shall first obtain, in writing from Franchisor, a declaration stating whether the prospective transferee has been registered with the Franchisor or referred to Franchisor by a referring entity and, if so, the amount of the Franchise Development Resale Fee and broker fees required to be paid. Franchisee's failure to obtain such written declaration from Franchisor constitutes a material breach of this Agreement and such transfer will not be approved. If the prospective transferee has been so registered, Franchisee shall have the option of not selling or transferring to the prospective transferee. The provisions of this paragraph will be applicable regardless of whether an agreement or relationship between the referring party and Franchisor exists that requires Franchisor to pay the referral fee and Franchise Development Resale Fee.

11.3.5 Franchisee must sign a general release of all claims arising out of or relating to the Franchise Agreement, the Franchise Business or the parties' relationship, in a form designated by Franchisor, releasing Franchisor and its affiliates.

11.4 If Franchisee is an individual and desires, during the term hereof, to transfer this Agreement to a corporation for the convenience of ownership and has given Franchisor written notification 30 days in advance, Franchisor will not unreasonably withhold its consent to the transfer of this Agreement and Franchisee's interest herein, provided that Franchisee and such corporation satisfy Franchisor's reasonable requirements, including but not limited to the following:

11.4.1 Franchisee shall at all times be the record and/or beneficial owner of such corporation.



11.4.2 No other person or entity shall own or have any right to acquire any capital stock or securities of such corporation without Franchisor's prior written consent.

11.4.3 Franchisee shall remain personally liable to Franchisor for all obligations under this Agreement (including but not limited to the covenants contained in Section 14 hereof).

11.4.4 Each shareholder (if Franchisee is a corporation) or general and limited partner (if Franchisee is a partnership) guarantees the performance of all such obligations in writing in a form satisfactory to Franchisor and pay a reasonable administration fee to the Franchisor.

11.4.5 Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 11.5.5 (including covenants applicable upon the termination of a person's relationship with Franchisee) and the provisions of Section 13 of this Agreement from any or all of the following persons: (a) all officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of a Franchisee, and of any corporation directly or indirectly controlling, controlled by, or under common control with Franchisee, if Franchisee is a corporation; and (b) the general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership. Every covenant required by this Section 11.5.5 shall be in a form approved by Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

11.4.6 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate of Franchisee shall have conspicuously endorsed upon its face, and any partnership agreement shall contain a statement in a form satisfactory to Franchisor that it is subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement.

11.5 If any party holding any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchise Business desires to accept any *bona fide* offer from a third party to purchase such interest, Franchisee shall notify Franchisor in writing, by certified mail, return receipt requested, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within 30 days after receipt of Franchisee's notification, to match transferee's offer, or pay the equivalent in cash. Franchisor may then purchase the interest upon the same terms and conditions offered by the proposed assignee. Failure by Franchisor to exercise this right within 30 days following receipt of the written offer shall thereafter permit Franchisee to proceed with the sale to the proposed transferee provided that all other requirements combined in this Agreement are performed. Any change in the terms between the proposed transferee and Franchisee shall be considered a new offer which must be submitted to Franchisor subject to the procedures set forth herein.

11.6 Upon the death or mental incapacity of Franchisee or any person with an interest in Franchisee (if Franchisee is a corporation or partnership), or in all or substantially all of the assets of the Franchise Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within six (6) months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 11 or do not wish to accept such transfer, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor within a reasonable time, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement, pursuant to Section 12.2.6 hereof.

## **12. DEFAULT AND TERMINATION**

12.1 Except as provided in Section 12.2 below, this Agreement shall terminate at the option of the Franchisor without further notice to Franchisee, if Franchisee is in default of any of the provisions hereof, including, but not limited to, the failure by Franchisee to pay any fees owed to Franchisor, and such default is not remedied within 30 days following receipt of written notice from Franchisor, served by certified mail, return receipt requested or other form where proof of delivery is available.

12.2 The following shall, in Franchisor's judgment and option, justify immediate termination without affording Franchisee the opportunity to cure and without notification:

12.2.1 If Franchisee is convicted of a felony, a crime involving moral turpitude, bribery, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

12.2.2 If Franchisee declares bankruptcy, voluntary or involuntary, or becomes insolvent, has a receiver appointed for any portion of its property, or makes a general assignment for the benefit of its creditors;

12.2.3 If Franchisee voluntarily abandons the Franchise Business;

12.2.4 If Franchisee attempts to make a transfer in violation of Section 11 hereof;

12.2.5 If Franchisee commits the same default within any twelve (12) month period during the term of this Agreement, whether or not cured after notice;

12.2.6 If Franchisee commits three (3) defaults within any twelve (12) month period during the term of this Agreement, whether or not cured after notice;

12.2.7 If Franchisee fails to procure and maintain insurance as described in Section 7.11;

12.2.8 If Franchisee violates this Agreement by offering services to a potential customer without first notifying that customer that Franchisee is not an agent of Franchisor; or

12.2.9 If Franchisee commits a fraud or misrepresentation which, for purposes of this Section, includes all statutory definitions of fraud, the underreporting of monthly Gross Receipts by 2% or more for each of any three months in any 12 month period, and the misuse of Franchisor's Proprietary Marks in any yellow pages or other telephone directory advertisement.

12.3 So long as Franchisee is in default of (with or without notice) any provision of this Agreement, Franchisor shall not be obligated under Section 4 hereof or be obligated to any Franchisor program or initiative designed for the betterment of the Franchisee or System. Upon Franchisee curing a default, Franchisor shall not be retroactively obligated.

### **13. OBLIGATIONS OF FRANCHISEE UPON TERMINATION, TRANSFER, AND NONRENEWAL**

In the event of termination, transfer or non-renewal of this Agreement, all rights granted hereunder to Franchisee shall terminate and Franchisee shall immediately:

13.1 Cease to use, in any manner whatsoever, any and all of Franchisor's confidential information including methods, designs, and marketing techniques associated with the Proprietary Marks "PUROCLEAN", "Paramedics of Property Damage" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devised associated with the Franchise Business.

13.2 Prior to the disposal (by sale or otherwise) or continued use of any item displaying any Proprietary Mark, Franchisee shall remove all reference to the Proprietary Marks so that they are not recognizable.

13.3 Cease to operate the Franchise Business, and not thereafter, represent to the public or hold itself out as a present or former franchisee of Franchisor.

13.4 Submit to, and at no cost to Franchisor, a full audit prepared by a Certified Public Accountant within thirty (30) days of the effective date of non-renewal or termination, detailing all monies due Franchisor pursuant to any requirement under this Agreement and make payment to Franchisor in full.

13.5 Franchisee hereby assigns to Franchisor all right, title and interest in any email address, website, identification, method of communications, telephone numbers and business listings used by Franchisee in connection with its conduct of the Franchise Business, and agrees that any such right, title or interest may be assumed by Franchisor, at Franchisor's option, upon termination or expiration of this Agreement. Franchisee agrees to execute a Collateral Assignment of Telephone Numbers and Listings in a form prescribed by Franchisor. Franchisee also hereby appoints Franchisor as its attorney in fact with full power and authority to execute on Franchisee's behalf any documents that are necessary to effectuate such an assignment.

13.6 Return to Franchisor the Manuals and all other records, correspondence, and instructions, videotapes, and software containing confidential information relating to the operation of the Franchise Business, all of which are acknowledged to be the property of Franchisor.

13.7 Comply with the covenants contained in Section 14 of this Agreement.

13.8 In the event of a transfer of this Agreement, transferor shall remain obligated under the provisions of 13.1 through and including 13.8 of this Section.

#### **14. COVENANT NOT TO COMPETE**

14.1 Franchisee acknowledges that as a PUROCLEAN franchisee, it will receive confidential information and materials, trade secrets, and the unique methods, procedures and techniques developed by Franchisor. Therefore, to protect Franchisor and all franchisees of the Franchisor, Franchisee covenants that:

14.1.1 During the term of this Agreement, Franchisee, and all owners, guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you (including any immediate family member (by blood or marriage)) shall not, directly or indirectly within or outside the Protected Office Location, for itself, or through, on behalf of, or in conjunction with any person or legal entity, engage in any restoration and contracting business or drying and cleaning businesses (other than pursuant to this Agreement); and

14.1.2 For a period of two (2) years after the termination, transfer or expiration of this Agreement, Franchisee, and all owners, guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you (including any immediate family member (by blood or marriage)) shall not directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, engage in any restoration, mitigation, remediation or contracting business or drying and cleaning businesses that is located within any of the following:

14.1.2.1 within the Protected Office Location;

14.1.2.2 within a twenty-five (25) mile radius of the Office; or

14.1.2.3 within the Protected Territory or Protected Office Location of any franchisee of Franchisor, including, without limitation, the Protected Office Location or Territory of any PUROFIRST or PUROCLEAN franchisee.

14.1.3 In addition, for a period of two (2) years after the termination, transfer or expiration of this Agreement, Franchisee, and all owners, guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you (including any immediate family member (by blood or marriage)) shall not directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, solicit referrals or business, or accept business or referrals from any

insurance company, insurance agency, third party referral service or other entity that had previously referred business to or conducted business with Franchisee while Franchisee used or was authorized to use the Proprietary Marks.

14.1.4 Franchisee agrees that the length of time in subparts 14.1.2 and 14.1.3 will be tolled for any period during which you are in breach of the covenants or any other period during which Franchisor seeks 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.

14.1.5 Franchisee further acknowledges and agrees that it will immediately and without protest pay all attorneys' fees and related expenses that Franchisor may incur in pursuing injunctive relief in order to enforce the terms of Section 14.

## **15. RELATIONSHIP OF THE PARTIES**

Franchisee is an independent contractor, and nothing contained in this Agreement shall be construed to establish that either party is an agent (real or apparent), legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose. Franchisee understands and agrees that fulfillment of any and all obligations of Franchisor based on any and all oral and written understandings adjudged to be binding shall be the sole responsibility of Franchisor and no affiliate, agent, representative nor any individual associated with Franchisor shall be held responsible.

## **16. WAIVER/INTEGRATION**

No waiver by Franchisor of any breach by Franchisee, nor any default or failure by Franchisor to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce Franchisor's rights with respect to that or any other or subsequent breach. Subject to Franchisor's rights to modify Appendices and/or standards 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 Franchisee and Franchisor. This Agreement together with the Franchise Disclosure Document, all addenda and appendices thereto, and the application form executed by Franchisee requesting us to enter into this Agreement constitute the sole agreement between the parties with respect to the entire subject matter of this Agreement and embody all prior agreements and negotiations with respect to the business. Franchisee acknowledges and agrees that it has not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of its Franchise Business. There are no representations or warranties of any kind, express or implied, except as contained herein and in the aforesaid Disclosure Document and application.

## **17. ARBITRATION AND MEDIATION**

17.1 Prior to the initiation of any litigation or arbitration by either party pursuant to Section 17.2, the parties shall make a good faith effort to resolve any controversies between them by non-binding mediation at a location within or near the Protected Office Location, either through a mutually acceptable mediator or through an established mediation service selected by

Franchisor. Prior to mediation each party involved in mediation shall sign the standard confidentiality agreement designated by the Mediator or Franchisor. No litigation or arbitration proceeding may be commenced until the earlier of 30 days from written notice by one party to the other of a request to initiate mediation, or the mutual agreement by both parties that mediation has been unsuccessful in resolving the existing controversy. Mediation shall be deemed unsuccessful if the notified party fails to respond to the requesting party within 30 days of notification. The parties shall share equally all fees and expenses of the mediator.

17.2 Except as qualified in 17.1 and 17.5, the parties hereby agree that any and all disputes and claims arising out of (either directly or indirectly) or related to the Franchise Business, this Agreement or related agreement(s), including breach thereof and including any alleged violation of law shall be submitted to binding arbitration under the Federal Arbitration Act and under the auspices of either The Center for Public Resources (CPR) or the American Arbitration Association (AAA), at the option of Franchisor. Any arbitration must be resolved on an individual basis only and not joined as part of a class action or the claim of other franchisees. The dispute shall be heard by a panel of three (3) independent arbitrators in accordance with the Commercial Arbitration Rules of the AAA or Rules For Non-administrative Arbitration of CPR. If, however, the Respondent fails to answer the claim on a timely basis, fails to pay the required fees and expenses, or fails to make a counter-claim, the Claimant may opt to reduce the number of arbitrators to one, to be selected by the chosen arbitration association. Each arbitrator must have 10 years of franchise experience. The arbitrators must follow the law and not disregard the terms of this Agreement. Franchisee and Franchisor each waive their rights to seek punitive damages and the arbitrators are prohibited from awarding punitive damages. Franchisor and Franchisee each waive the right to a jury trial. Franchisee and Franchisor shall share equally all fees and expenses of the arbitrators and CPR or AAA. No part of the arbitration proceeding shall be disclosed to any other person except when required by law or by court order. Arbitration shall take place in the County of Broward, State of Florida.

17.3 The decision of the Arbitrators may be filed as a judgment in any court of competent jurisdiction and will be binding in any other jurisdiction. If the arbitration award exceeds \$100,000, the party required to pay such judgment shall have the right to a de novo action on the merits by a court of competent jurisdiction in Broward County, Florida before the arbitrator's award is filed. The court action must be filed within 30 days of the arbitrator's written award and no part of the arbitration proceeding may be used or introduced in the court action. If no court action is filed within the 30 day period, the arbitrator's award shall be binding and may be filed.

17.4 Any arbitration proceeding, or any claim in arbitration (including any defense and any claim of setoff or recoupment), must be brought or asserted before the expiration of the earlier of (1) the time period for bringing an action under any applicable state or federal statute of limitation; (2) one year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) two years after the first act or omission giving rise to an alleged claim. Claims of the franchisor attributable to the underreporting of gross sales and claims of the parties for indemnification and defense and claims for payments of financial obligations specified in this Agreement shall be subject only to the applicable state or federal statute of limitation. Arbitrability of any claim will be decided by the arbitrator.

17.5 Notwithstanding Sections 17.1 – 17.4 above, Franchisee recognizes that its Franchise Business is one of a number of businesses identified by the Marks and similarly situated and selling to the public similar products and services, and hence the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to Franchisor and/or to some or all of Franchisor's 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 Franchisee, Franchisor will forthwith be entitled to an injunction restraining such breach and/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 a breach or threatened breach of any of the terms of this Agreement by Franchisor, Franchisee will forthwith be entitled to an injunction restraining such breach and/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.

## **18. NOTICE**

All notices required under this Agreement shall be in writing and delivered by registered or certified mail, return receipt requested, addressed to the party's last known address. Notice shall be deemed to have been given and received at the date and time of receipt or attempted delivery.

## **19. SEVERABILITY**

If any portion of this Agreement is held to be invalid or unenforceable, the remaining portion shall remain in full force and effect and such invalid portions shall be deemed not to be a part of this Agreement.

## **20. JURISDICTION, VENUE AND CONTROLLING LAW; INTERPRETATION OF RIGHTS**

20.1 This Agreement shall be governed by and enforced in accordance with the laws of the State of Florida, except only Florida franchise or business opportunity law shall not apply unless Franchisee is a resident of Florida or the Protected Office Location is in Florida. Franchisee and Franchisor consent to the jurisdiction and venue of any court of general jurisdiction, County of Broward, State of Florida and, except as provided in Section 17 above, any legal proceedings arising out of this Agreement shall be brought only in such court.

20.2 Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

20.3 Whenever Franchisor reserves or is deemed to have reserved discretion in a particular area or where Franchisor agrees or is deemed to be required to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy its obligations whenever Franchisor exercises Reasonable Business Judgment in making our decision or exercising its rights. A decision or action by Franchisor will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's 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 Franchisor. Examples of items that will promote or benefit the System include enhancing the value of the Proprietary Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System.

**21. ENTIRE AGREEMENT**

This Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement of the parties. There are no representations either oral or written, except those contained in the Disclosure Document and this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

21.1 Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will depend upon the ability of Franchisee (or, if Franchisee is a corporation or partnership, the ability of its principals) as an independent business person.

21.2 Franchisee acknowledges that if all or any part of the fees required by this Agreement was financed, that the finance company was freely chosen by Franchisee and Franchisee takes sole responsibility for rates, terms and conditions.

21.3 Other than the representations contained in the Disclosure Document or this Agreement, no other oral or written representations, commitments, promises or agreements for future or present obligations of the Franchisor have been made to or relied on by Franchisee except as set forth below (If none, leave blank):

(Please Print)

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Date Disclosure Documents received  
Date any money was paid to Franchisor

\_\_\_/\_\_\_/200\_\_  
\_\_\_/\_\_\_/200\_\_

**(SIGNATURE PAGE TO FOLLOW)**

**22. PLACE OF EXECUTION**

It is agreed that this Agreement was executed at Franchisor’s place of business in Florida.

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

(Franchisor) PUROSYSTEMS, INC.

\_\_\_\_\_  
Date By: \_\_\_\_\_  
Keith Gerson, President/COO

\_\_\_\_\_  
Franchisee Date

\_\_\_\_\_  
Franchisee Date

Franchisee or Franchisee’s representative hereby acknowledges that it has read this Agreement completely and fully understands its requirements and obligations.

\_\_\_\_\_  
Franchisee Date

\_\_\_\_\_  
Franchisee Date

The following individuals agree to be bound jointly and severally by the terms of this Agreement, including but not limited to, forum and law selection clauses, jury waiver and the provision to arbitrate, and all subsequent or collateral agreements.

\_\_\_\_\_  
Signature Date Signature Date

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

\_\_\_\_\_  
Signature Date Signature Date

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

If the Franchisee is a corporation, the Secretary of said corporation certifies that the above signers are all of the Officers, Directors and Shareholders of the Franchisee.

Secretary \_\_\_\_\_

**EXHIBIT F**  
**STATE ADDENDA**

ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA

The following information applies to franchises and franchisees subject to the California Franchise Investment Act. The item numbers correspond to those in the main body:

1. 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. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [www.corp.ca.gov](http://www.corp.ca.gov).

2. Item 3.

Item 3 is amended to provide that neither us nor any other person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

3. Items 6 and 17.

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

4. Item 17.

California Business & Professions Code Sections 20000 through 20043 provide rights to you concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

5. Item 17.

Termination of the Franchise Agreement by us because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

6. Item 17.

The Franchise Agreement requires you to sign a general release if you transfer your franchise. This provision may not be enforceable under California law. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver

of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

7. Item 17.

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.

8. Item 17.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Broward County, Florida. This provision may not be enforceable under California law. You 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.

9. Item 17.

The Franchise Agreement requires application of the laws of Florida. This provision may not be enforceable under California law.

ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF HAWAII

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, P.O. Box 40, Honolulu, Hawaii 96813.

ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS

The following information applies to franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987. The item numbers correspond to those in the main body.

1. Item 17.

For Illinois franchisees, Illinois law governs the Franchise Agreement. The conditions under which the franchise can be terminated and rights upon nonrenewal may be affected by Illinois law. Any provision in a Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void.

ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND

The following information applies to franchises and franchisees subject to Maryland statutes and regulations. The item numbers correspond to those in the main body:

1. Item 17.

Our termination of the franchise agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

2. Item 17.

Any claims under the Maryland Franchise and Disclosure law may be brought in the State of Maryland.

3. Item 17.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. Item 17.

Pursuant to COMAR 02.02.08.16L, any general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. Item 23.

Maryland law requires Franchisor to provide Franchisee with a copy of the Disclosure Document at the first personal meeting.



ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA

The following applies to franchises and franchisees subject to Minnesota statutes and regulations. The item numbers correspond to those in the main body.

1. Item 13.

We will undertake the defense of any third-party claim of infringement involving the PUROCLEAN Proprietary Mark. You must cooperate with the defense in any reasonable manner we prescribe with any direct costs of such cooperation to be borne by us.

2. Item 17.

Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. Item 17.

Minnesota law provides you with certain termination and nonrenewal rights. As of the date of this Disclosure Document, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

4. Item 17.

Under Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J, certain liquidated damages clauses are unenforceable.

5. 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.

6. Item 17.

In the event you breach or threaten to breach any of the terms of this Agreement, we will be entitled to seek an injunction restraining such breach and/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 the arbitrators make a final and binding decision.

ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK

The following information applies to franchises and franchisees subject to New York statutes and regulations. The item numbers correspond to those in the main body:

1. We represent that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

2. We may, if we choose, negotiate with you about items covered in the prospectus. We, however, cannot use the negotiating process to prevail upon a prospective franchisee to accept terms that are less favorable than those set forth in this prospectus.

3. Item 3.

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 offering circular.

4. Item 4.

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the offering circular: (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.

5. Item 17 j.

No assignment will be made except to an assignee who, in our good faith judgment, is willing to assume our obligations under the Franchise Agreement.

6. Item 17 w.

Although Florida law applies, it should not be considered a waiver of any right conferred upon us or upon you by article 33 of the General Business Law of the state of New York.

ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA

The following information applies to franchises and franchisees subject to North Dakota statutes and regulations. The item numbers correspond to those in the main body:

Item 17.

1. Covenants not to compete such as those mentioned in Item 17 may be subject to Section 9-08-06 of the North Dakota Century Code and unenforceable in the State of North Dakota if contrary to Section 9-08-06.

2. Notwithstanding anything contained in Section 17 of the Franchise Agreement, any arbitration proceeding will take place in the city nearest to your Business in which the American Arbitration Association maintains an office and facility for arbitration, or at such other location as may be mutually agreed upon by the parties.

3. Notwithstanding anything contained in Section 17 of the Franchise Agreement, the prevailing party in any legal proceeding before a court or arbitrator to enforce the terms and provisions of the Franchise Agreement will be entitled to recover its reasonable attorneys' fees and costs.

4. Any claims under the North Dakota Franchise Investment Law may be brought in the State of North Dakota.

5. The North Dakota Securities Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

6. The North Dakota Securities Commissioner has held that requiring franchise agreements to be governed by the laws of a state other than North Dakota are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

7. You must sign a general release if you renew your franchise. This provision may be unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law.

8. The North Dakota Securities Commissioner has determined that requiring franchisees to consent to liquidated or termination damages is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF RHODE ISLAND

The following information applies to franchises and franchisees subject to Rhode Island statutes and regulations. The item numbers correspond to those in the main body:

1. 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.”

2. Item 23.

Rhode Island law requires Franchisor to provide Franchisee with a copy of the Disclosure Document at the first personal meeting.

ADDENDUM TO PUROSYSTEMS, INC. DISCLOSURE DOCUMENT  
FOR THE STATE OF WISCONSIN

The following information applies to franchises and franchisees subject to the Wisconsin Fair Dealership law. The item numbers correspond to those in the main body:

1. Item 17.

For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

2. Item 17.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

ADDENDUM TO  
PUROSYSTEMS, INC.  
FRANCHISE AGREEMENT FOR THE  
STATE OF CALIFORNIA

This Addendum pertains to franchises sold in the State of California and is for the purpose of complying with California statutes and regulations. Notwithstanding anything that may be contained in the body of the Agreement to the contrary, the Agreement is amended as follows:

1. Section 14.1.2 of the Franchise Agreement contains a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under California law.
2. Section 17 of the Franchise Agreement requires binding arbitration. The arbitration will occur in Florida.
3. Section 11.3.5 of the Franchise Agreement requires the execution of a general release if the franchise is transferred. This provision may not be enforceable under California law.
4. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

\_\_\_\_\_  
Franchisee Initials

\_\_\_\_\_  
Franchisor Initials

ADDENDUM TO  
PUROSYSTEMS, INC.  
FRANCHISE AGREEMENT FOR THE  
STATE OF ILLINOIS

This Addendum pertains to franchises sold in the State of Illinois and is for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Section 21.3 of the Agreement is hereby amended to include the following:

Nothing in this Section 21, however, may be construed to mean that Franchisee may not rely on representations in the PuroClean® Disclosure Document that Franchisor provided to Franchisee in connection with the offer and purchase of Franchisee's PuroClean® Business. Although the statements in the Disclosure Document do not become part of the Franchise Agreement, nothing in the Disclosure Document may contradict or be inconsistent with the contract terms.

2. Section 20.1 of the Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement shall be governed by and interpreted in accordance with the law of the State of Illinois. This Agreement shall 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. The provisions of this Section shall survive the termination of this Agreement. Franchisee is aware of the business purposes and needs underlying the language of this Section, and with the complete understanding thereof, agrees to be bound in a manner set forth. Subject to Section 17, 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 Illinois federal or state court for the Territory in which Franchisee's Office is located.

3. The Franchisee Compliance Certification is unenforceable under Illinois law because it may have the effect of forcing a franchisee to waive or release certain rights that Franchisee has under the Illinois Franchise Disclosure Act, 815 IL § 705.

4. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

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Franchisee Initials

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Franchisor Initials



ADDENDUM TO  
PUROSYSTEMS, INC.  
FRANCHISE AGREEMENT FOR THE  
STATE OF MARYLAND

This Addendum pertains to franchises sold in the State of Maryland and is for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Any provision in the Franchise Agreement that constitutes a general release of claims is amended to provide that, pursuant to COMAR 02.02.08.16L, the general release that may be required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 21 is hereby amended to provide that any disclaimers or acknowledgments by Franchisee under this Section are not intended to nor shall act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Section 20 is amended to provide that Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure law.

4. Section 17.4 is amended to provide that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the date of the Franchise Agreement.

5. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

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Franchisee Initials

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Franchisor Initials

**RELEASE OF CLAIMS**  
**THIS FORM IS SUBJECT TO CHANGE OVER TIME**

For and in consideration of the agreements and covenants described below, PuroSystems, Inc. (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) enter into this Release of Claims (“Agreement”).

**RECITALS**

A. Franchisor and Franchisee entered into a PuroSystems, Inc. Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_.

B. [NOTE: Describe the circumstances relating to the release.]

C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

**AGREEMENTS**

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims by Franchisor.** In consideration of, and only upon full payment of \$\_\_\_\_\_ to Franchisor, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney’s fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.

5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney’s fees), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

6. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

8. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

9. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the laws of the state of \_\_\_\_\_.

10. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: \_\_\_\_\_, 2008

PUROSYSTEMS, INC.

By \_\_\_\_\_

Its \_\_\_\_\_

Dated: \_\_\_\_\_, 2008

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

By \_\_\_\_\_

Its \_\_\_\_\_

ADDENDUM TO  
PUROSYSTEMS, INC.  
FRANCHISE AGREEMENT FOR THE  
STATE OF MINNESOTA

This Addendum pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Franchisor will undertake the defense of any claim of infringement by third parties involving the PUROCLEAN Proprietary Marks, and Franchisee will cooperate with the defense in any reasonable manner prescribed by Franchisor with any direct cost of such cooperation to be borne by Franchisor.

2. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Agreement, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.

3. Nothing in the Disclosure Document or Franchise Agreement 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. In addition, Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota.

4. The second sentence of Section 17.5 of the Agreement is deleted in its entirety and has no further force and effect and the following is substituted in lieu thereof:

Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisee, Franchisor will forthwith be entitled to seek an injunction restraining such breach and/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.

5. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

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Franchisee Initials

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Franchisor Initials

ADDENDUM TO  
PUROSYSTEMS, INC.  
FRANCHISE AGREEMENT FOR THE  
STATE OF NORTH DAKOTA

This Addendum pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Notwithstanding anything contained in Section 17 of the Franchise Agreement, any arbitration proceeding must take place in the city nearest to the your Business in which the American Arbitration Association maintains an office and facility for arbitration, or at such other location as may be mutually agreed upon by the parties.

2. Notwithstanding anything contained in Section 17 of the Franchise Agreement, the prevailing party in any legal proceeding before a court or arbitrator to enforce the terms and provisions of the Franchise Agreement will be entitled to recover its reasonable attorneys' fees and costs.

3. The North Dakota Securities Commissioner has determined that requiring franchisees to consent to liquidated or termination damages is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Any provision of Franchise Agreement that may require Franchisee to consent to liquidated or termination damages, is hereby deleted.

4. The covenant not to compete such as that mentioned in Section 14.1.2 of the Franchise Agreement may be subject to Section 9-08-06 of the North Dakota Century Code and unenforceable in the State of North Dakota if contrary to Section 9-08-06.

5. The North Dakota Securities Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The second sentence of Section 20.1 is therefore deleted in its entirety, and the following substituted in lieu thereof:

Subject to Section 17, 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 for the District of Florida or in Broward County District Court, Florida or the federal or state court of the protected Office Location in which you are located. Both parties hereto irrevocably admit themselves to, and consent to, the exclusive jurisdiction of said courts.

6. Pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, a franchisee may not be required to sign a general release as a condition of renewal under Section 2.2.4 of the Franchise Agreement.

7. Pursuant to the North Dakota Franchise Investment Law, the first sentence of Section 20.1 of the foregoing Agreement is deleted in its entirety and has no further force and effect, and the following is substituted in lieu thereof:

Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement and the relationship between the parties is governed by and interpreted in accordance with the North Dakota Franchise Investment Law.

8. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

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Franchisee Initials

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Franchisor Initials

ADDENDUM TO  
PUROSYSTEMS, INC.  
FRANCHISE AGREEMENT FOR THE  
STATE OF WASHINGTON

This Addendum pertains to franchises sold in the State of Washington and is for the purpose of complying with Washington statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Section 12 of the Franchise Agreement is amended by the addition of the following language:

If any of the provisions in the Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Agreement with regard to any franchise sold in Washington.

2. Pursuant to the Washington Franchise Investment Protection Act, the last sentence of Section 17.2 of the Franchise Agreement is deleted in its entirety and has no further force and effect, and the following is substituted in lieu thereof:

The arbitration must take place in Washington or at such other place as may be mutually agreeable to the parties or as determined by the arbitrator.

3. Pursuant to the Washington Franchise Investment Protection Act, the first sentence of Section 20.1 of the foregoing Agreement is deleted in its entirety and has no further force and effect, and the following is substituted in lieu thereof:

Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement and the relationship between the parties is governed by and interpreted in accordance with the Washington Franchise Investment Protection Act.

4. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

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Franchisee Initials

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Franchisor Initials

ADDENDUM TO  
PUROSYSTEMS, INC.  
FRANCHISE AGREEMENT FOR THE  
STATE OF WISCONSIN

This Addendum pertains to franchises sold in the State of Wisconsin and is for the purpose of complying with Wisconsin statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, Section 12 of the Agreement is extended as follows:

For all franchises sold in the State of Wisconsin, Franchisor will provide Franchisee at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that Franchisee have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between Franchisor and Franchisee inconsistent with the Law.

3. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

---

Franchisee Initials

---

Franchisor Initials



**EXHIBIT G**

**FRANCHISEE COMPLIANCE CERTIFICATION**

As you know, PuroSystems, Inc. ("PuroSystems" or the "Franchisor") and you are preparing to enter into a Franchise Agreement for the establishment and operation of a PuroSystems Franchise Business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement?

Yes \_\_\_\_\_ or No \_\_\_\_\_

If no, please comment: \_\_\_\_\_  
\_\_\_\_\_

2. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

Yes \_\_\_\_\_ or No \_\_\_\_\_

3. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you? \_\_\_\_\_

\_\_\_\_\_

If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Have you received and personally reviewed the Franchisor's Franchise Disclosure document ("FDD") that was provided to you? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Did you sign a receipt for the Franchise Disclosure Document (FDD) indicating the date you received it? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. On the receipt pages of your Disclosure Document you identified \_\_\_\_\_ as the franchise sellers involved in this franchise sales process. Are the franchise sellers identified above the only franchise sellers involved with this transaction?

Yes \_\_\_\_\_ or No \_\_\_\_\_

If no, please identify any additional franchise sellers involved with this transaction: \_\_\_\_\_

7. Do you understand all of the information contained in the Franchise Disclosure Document and any state-specific Addendum to the FDD? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If No, what parts of the Franchise Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. Have you had the opportunity to discuss the benefits and risks of establishing and operating a PuroSystems Franchise Business with an attorney, accountant, or other professional advisor? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. Do you understand that the success or failure of your PuroSystems Franchise Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, labor and supply costs, lease terms and other economic and business factors? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Do you understand that the sales and marketing component of the Franchise Business requires you or an employee of yours to devote your working day calling on insurance offices and other sources of business like real estate agents, plumbing contractors and other designated referral companies? \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11. Do you understand that a competing franchisee may be placed near or adjacent to your location? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the revenues, profits or operating costs of a PuroSystems Franchise Business operated by the Franchisor or its franchisees that is contrary to the information contained in the FDD? \_\_\_\_\_

\_\_\_\_\_

If yes, give details \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise Business that is contrary to the information contained in the FDD? \_\_\_\_\_

If yes, give details \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

14. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the PuroSystems Franchise Business will generate that is contrary to the information contained in the FDD? \_\_\_\_\_

If yes, give details \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

15. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the PuroSystems Franchise Business that is contrary to, or different from, the information contained in the FDD? \_\_\_\_\_

If yes, give details \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

16. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a PuroSystems Franchise Business? \_\_\_\_\_

17. Has any employee or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD? \_\_\_\_\_

If yes, give details \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today? \_\_\_\_\_

19. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today? \_\_\_\_\_

20. I signed the Franchise Agreement and Addenda (if any) on \_\_\_\_\_, 200\_ and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

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.

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

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

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

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

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

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

APPROVED ON BEHALF OF  
PUROSYSTEMS, INC.

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

Title: \_\_\_\_\_

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 under the Maryland Franchise Registration and Disclosure Law.

**EXHIBIT H**

**AFFIDAVIT**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

THE UNDERSIGNED HEREBY AFFIRMS OR TESTIFIES UNDER OATH THAT:

Franchisee understands and acknowledges that PUROSYSTEMS, INC. as well as any and all of its representatives and/or agents with whom Franchisee has had contact with, have not and are not making any guarantees as to the extent of the Franchisee's success, and have not and are not in any way representing or promising any amounts of earnings or profits in association with the Franchisee's new business. Franchisee's decision to purchase a Franchise was made solely relying on the contents of the Franchise Disclosure Documents and/or independent information obtained by Franchisee through Franchisee's own independent investigations.

Franchisee understands and acknowledges that it is the sole responsibility of the Franchisee to secure any financing that may be necessary from third party lending sources in order to satisfy capital requirements of opening a PUROCLEAN FRANCHISE. If all or any part of the fees required by the FRANCHISE AGREEMENT were financed, it is further understood and acknowledged that the Franchisee freely chose the finance company and the Franchisee takes sole responsibility for rates, terms and conditions. Franchisee further acknowledges that Franchisee has read all documents related to the purchase of a PUROCLEAN FRANCHISE and fully understands all documents presented.

IN WITNESS WHEREOF, the parties hereto have executed this affidavit under seal this \_\_\_\_\_ day of \_\_\_\_\_, 200\_.

\_\_\_\_\_  
DATED

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATED

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATED

\_\_\_\_\_  
NOTARY

COMMISSION EXPIRES: \_\_\_\_\_

**EXHIBIT I**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS**

THIS ASSIGNMENT is entered into this \_\_\_\_ day of \_\_\_\_\_, 200\_, in accordance with the terms of that certain PUROSYSTEMS Franchise Agreement (the "Franchise Agreement") between PUROSYSTEMS, INC., a Florida corporation ("Franchisor"), and \_\_\_\_\_, ("Franchisee") executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Franchised Business with an office located at the Protected Office Location (the "Office").

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor, all of Franchisee's right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "Telephone Numbers and Listings") associated with Franchisor's trade and service marks and used from time to time in connection with the operation of the Franchised Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as the "Telephone Company") to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and shall remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings, and Franchisee appoints Franchisor as Franchisee's true and lawful attorney-in-fact to direct the Telephone Company to assign same to Franchisor, and execute such documents and take such action as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Telephone Company to assign the Telephone Numbers and Listings to Franchisor. If Franchisee fails to promptly direct the Telephone Company to assign the Telephone Numbers and Listings to Franchisor, Franchisor shall direct the Telephone Company to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers and Listings upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company's receipt of such notice from Franchisor or Franchisee.

The parties further agree that if the Telephone Company requires that the parties execute the Telephone Company's assignment forms or other documentation at the time of termination or

expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE:

PUROSYSTEMS, INC.

By: \_\_\_\_\_  
KEITH GERSON  
PRESIDENT/COO

ACCEPTED AND AGREED TO BY:

\_\_\_\_\_  
(Telephone Company Authorized  
Representative)

\_\_\_\_\_  
(Name of Telephone Company)

ASSIGNOR:

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT J**

**ENTERPRISE FLEET LEASING AGREEMENT AND RATE QUOTE**



## MASTER EQUITY LEASE AGREEMENT

This Master Equity Lease Agreement is entered into this nineteenth day of January, 2007, by and between Division of Enterprise Leasing Company, a Florida corporation doing business as "Enterprise Fleet Services" ("Lessor"), and the lessee whose name and address is set forth on the signature page below ("Lessee").

**1. LEASE OF VEHICLES:** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the vehicles ("Vehicle(s)") described in the schedules from time to time delivered by Lessor to Lessee as set forth below ("Schedule(s)") for the rentals and on the terms set forth in this Agreement and in the applicable Schedule. References to this "Agreement" shall include this Master Equity Lease Agreement and the various Schedules and addenda to this Master Equity Lease Agreement. Lessor will, on or about the date of delivery of each Vehicle to Lessee, send Lessee a Schedule covering the Vehicle, which will include, among other things, a description of the Vehicle, the lease term and the monthly rental and other payments due with respect to the Vehicle. The terms contained in each Schedule will be binding on Lessee unless Lessee objects in writing to such Schedule within ten (10) days after the date of delivery of the Vehicle covered by such Schedule. This Agreement is a lease only and Lessor will at all times remain the owner of the Vehicles and Lessee will have no right, title or interest in or to the Vehicles except for the use of the Vehicles as described in this Agreement. This Agreement shall be treated as a true lease for federal and applicable state income tax purposes with Lessor having all benefits of ownership.

**2. TERM:** The term of this Agreement ("Term") for each Vehicle begins on the date such Vehicle is delivered to Lessee (the "Delivery Date") and, unless terminated earlier in accordance with the terms of this Agreement, continues for the "Lease Term" as described in the applicable Schedule.

**3. RENT AND OTHER CHARGES:**

(a) Lessee agrees to pay Lessor monthly rental according to the Schedules and this Agreement. The monthly rental payments will be in the amount listed as the "Total Monthly Rental Including Additional Services" on the applicable Schedule and will be due and payable in advance on the first day of each month. If a Vehicle is delivered to Lessee on any day other than the first day of a month, monthly rental payments will begin on the first day of the next month. In addition to the monthly rental payments, Lessee agrees to pay Lessor a pro-rated rental charge for the number of days that the Delivery Date precedes the first monthly rental payment date. A portion of each monthly rental payment, being the amount designated as "Depreciation Reserve" on the applicable Schedule, will be considered as a reserve for depreciation and will be credited against the Delivered Price of the Vehicle for purposes of computing the Book Value of the Vehicle under Section 3(c). Lessee agrees to pay Lessor the "Total Initial Charges" set forth in each Schedule on the due date of the first monthly rental payment under such Schedule. Lessee agrees to pay Lessor the "Service Charge Due at Lease Termination" set forth in each Schedule at the end of the applicable Term (whether by reason of expiration, early termination or otherwise).

(b) In the event the Term for any Vehicle ends prior to the last day of the scheduled Term, whether as a result of a default by Lessee, a Casualty Occurrence or any other reason, the rentals and management fees paid by Lessee will be recalculated in accordance with the rule of 78's and the adjusted amount will be payable by Lessee to Lessor on the termination date.

(c) Lessee agrees to pay Lessor within thirty (30) days after the end of the Term for each Vehicle, additional rent equal to the excess, if any, of the Book Value of such Vehicle over the greater of (i) the wholesale value of such Vehicle as determined by Lessor in good faith or (ii) except as provided below, twenty percent (20%) of the Delivered Price of such Vehicle as set forth in the applicable Schedule. If the Book Value of such Vehicle is less than the greater of (i) the wholesale value of such Vehicle as determined by Lessor in good faith or (ii) except as provided below, twenty percent (20%) of the Delivered Price of such Vehicle as set forth in the applicable Schedule, Lessor agrees to pay such deficiency to Lessee as a terminal rental adjustment within thirty (30) days after the end of the applicable Term. Notwithstanding the foregoing, if (i) the Term for a Vehicle is greater than forty-eight (48) months (including any extension of the Term for such Vehicle), (ii) the mileage on a Vehicle at the end of the Term is greater than 15,000 miles per year on average (prorated on a daily basis) (i.e. if the mileage on a Vehicle with a Term of thirty-six (36) months is greater than 45,000 miles) or (iii) in the sole judgment of Lessor, a Vehicle has been subject to damage or any abnormal or excessive wear and tear, the calculations described in the two immediately preceding sentences shall be made without giving effect to clause (ii) in each such sentence. The "Book Value" of a Vehicle means the sum of (i) the "Delivered Price" of the Vehicle as set forth in the applicable Schedule minus (ii) the total Depreciation Reserve paid by Lessee to Lessor with respect to such Vehicle plus (iii) all accrued and unpaid rent and/or other amounts owed by Lessee with respect to such Vehicle.

(d) Any security deposit of Lessee will be returned to Lessee at the end of the applicable Term, except that the deposit will first be applied to any losses and/or damages suffered by Lessor as a result of Lessee's breach of or default under this Agreement and/or to any other amounts then owed by Lessee to Lessor.

(e) Any rental payment or other amount owed by Lessee to Lessor which is not paid within twenty (20) days after its due date will accrue interest, payable on demand of Lessor, from the date due until paid in full at a rate per annum equal to the lesser of (i) Eighteen Percent (18%) per annum or (ii) the highest rate permitted by applicable law (the "Default Rate").

(f) If Lessee fails to pay any amount due under this Agreement (including maintenance management or VIP Rental billings) or to comply with any of the covenants contained in this Agreement, Lessor may, at its option, pay such amounts or perform such covenants and all sums paid or incurred by Lessor in connection therewith will be repayable by Lessee to Lessor upon demand together with interest thereon at the Default Rate.

**4. USE AND SURRENDER OF VEHICLES:** Lessee agrees to allow only duly authorized, licensed and insured drivers to use and operate the Vehicles. Lessee agrees to comply with, and cause its drivers to comply with, all laws, statutes, rules, regulations and ordinances and the provisions of all insurance policies affecting or covering the Vehicles or their use or operation. Lessee agrees to keep the Vehicles free of all liens, charges and encumbrances. Lessee agrees that in no event will any Vehicle be used or operated for transporting hazardous substances or persons for hire, for any illegal purpose or to pull trailers that exceed the manufacturer's trailer towing recommendations. Lessee agrees that no vehicle is intended to be or will be utilized as a "school bus" as defined in the Code of Federal Regulations or any applicable state or municipal statute or regulation. Lessee agrees not to remove any Vehicle from the continental United States without first obtaining Lessor's written consent. At the expiration or earlier termination of this Agreement with respect to each Vehicle, or upon demand by Lessor made pursuant to Section 14, Lessee at its risk and expense agrees to return such Vehicle to Lessor at such place and by such reasonable means as may be designated by Lessor. If for any reason Lessee fails to return any Vehicle to Lessor as and when required in accordance with this Section, Lessee agrees to pay Lessor additional rent for such Vehicle at twice the normal pro-rated daily rent. Acceptance of such additional rent by Lessor will in no way limit Lessor's remedies with respect to Lessee's failure to return any Vehicle as required hereunder.

**5. COSTS, EXPENSES, FEES AND CHARGES:** Lessee agrees to pay all costs, expenses, fees, charges, fines, tickets, penalties and taxes (other than federal and state income taxes on the income of Lessor) incurred in connection with the titling, registration, delivery, purchase, sale, rental, use or operation of the Vehicles during the Term. If Lessor incurs any such costs or expenses, Lessee agrees to promptly reimburse Lessor for the same.

**6. LICENSE AND CHARGES:** Each Vehicle will be licensed in Lessor's name at Lessee's expense. Certain other charges relating to the acquisition of each Vehicle and paid or satisfied by Lessor have been capitalized in determining the monthly rental, treated as an initial charge or otherwise charged to Lessee. Such charges have been determined without reduction for trade-in, exchange allowance or other credit attributable to any Lessor-owned vehicle.

**7. REGISTRATION PLATES, ETC.:** Lessee agrees, at its expense, to obtain in the name of Lessor all registration plates and other plates, permits, inspections and/or licenses required in connection with the Vehicles, except for the initial registration plates which Lessor will obtain at Lessee's expense. The parties agree to cooperate and to furnish any and all information or documentation, which may be reasonably necessary for compliance with the provisions of this Section or any federal, state or local law, rule, regulation or ordinance. Lessee agrees that it will not permit any Vehicle to be located in a state other than the state in which such Vehicle is then titled for any continuous period of time that would require such Vehicle to become subject to the titling and/or registration laws of such other state.

**8. IMPROVEMENTS AND MAINTENANCE OF VEHICLES:**

(a) Lessee agrees, at its expense, to (i) maintain the Vehicles in good condition, repair, maintenance and running order and in accordance with all manufacturer's instructions and warranty requirements and all legal requirements and (ii) furnish all labor, materials, parts and other essentials required for the proper operation and maintenance of the Vehicles. Any alterations, additions, replacement parts or improvements to the Vehicles will become and remain the property of Lessor and will be returned with the Vehicles pursuant to Section 4. Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Lessee shall have the right to remove any additional equipment installed by Lessee on a Vehicle prior to returning such Vehicle to Lessor under Section 4. The value of such alterations, additions, replacement parts and improvements will in no instance be regarded as rent. Without the prior written consent of Lessor, Lessee will not make any alterations, additions, replacement parts or improvements to any Vehicle which detract from its economic value or functional utility. Lessor will not be required to make any repairs or replacements of any nature or description with respect to any Vehicle, to maintain or repair any Vehicle or, except as set forth in Section 8(b) below, to make any expenditure whatsoever in connection with any Vehicle or this Agreement.

(b) Notwithstanding the provisions of Section 8(a) above, if Section 4 of a Schedule includes a charge for maintenance, Lessor agrees that, subject to the terms and conditions of this Section 8(b), it will pay for, or reimburse Lessee for its payment of, all costs and expenses incurred in connection with the maintenance or repair of the Vehicle(s) covered by such Schedule (each, a "Covered Vehicle"). This Section 8(b) does not cover, and Lessee will remain responsible for and pay for, (i) fuel, (ii) oil and other fluids between changes, (iii) tire repair and replacement, (iv) washing, (v) repair of damage due to lack of maintenance by Lessee between scheduled services (including, without limitation, failure to maintain fluid levels), (vi) maintenance or repair of any alterations to a Covered Vehicle or of any after-market components (this Section 8(b) covers maintenance and repair only of the Covered Vehicles themselves and any factory-installed components and does not cover maintenance or repair of chassis alterations, add-on bodies (including, without limitation, step vans) or other equipment (including, without limitation, lift gates and PTO controls) which is installed or modified by a dealer, body shop, upfitter or anyone else other than the manufacturer of the Covered Vehicle, (vii) any service and/or damage resulting from, related to or arising out of an accident, a collision, theft, fire, freezing, vandalism, riot, explosion, other Acts of God, an object striking the Covered Vehicle, improper use of the Covered Vehicle (including, without limitation, driving over curbs, overloading, racing or other competition) or Lessee's failure to maintain the Covered Vehicle as required by this Agreement, (viii) roadside assistance or towing for vehicle maintenance purposes, (ix) mobile services, (x) the cost of loaner or rental vehicles or (xi) if the Covered Vehicle is a truck, (A) manual transmission clutch adjustment or replacement, (B) brake adjustment or replacement or (C) front axle alignment. Whenever it is necessary to have a Covered Vehicle serviced, Lessee agrees to have the necessary work performed by an authorized dealer of such Covered Vehicle or by a service facility acceptable to Lessor. In every case, if the cost of such service will exceed \$50.00, Lessee must notify Lessor and obtain Lessor's authorization for such service and Lessor's instructions as to where such service shall be made and the extent of service to be obtained. Lessee agrees to furnish an invoice for all service to a Covered Vehicle, accompanied by a copy of the shop or service order (odometer mileage must be shown on each shop or service order). Lessor will not be obligated to pay for any unauthorized charges or those exceeding \$50.00 for one service on any Covered Vehicle unless Lessee has complied with the above terms and conditions. Lessor will not have any responsibility to pay for any services in excess of the services recommended by the manufacturer, unless otherwise agreed to by Lessor. Notwithstanding any other provision of this Section 8(b), (i) all service performed within one hundred twenty (120) days prior to the last day of the scheduled Term must be authorized by and have the prior consent and approval of Lessor and any service not so authorized will be the responsibility of and be paid for by Lessee and (ii) Lessor is not required to provide or pay for any service to any covered Vehicle after 100,000 miles. Lessor may, at its option, provide Lessee with an authorization card (the "Enterprise Card") for use in authorizing the payment of charges incurred in connection with the maintenance of the Covered Vehicles. Lessee agrees to be liable to Lessor for, and upon receipt of a monthly or other statement from Lessor; Lessee agrees to pay to Lessor, all charges made by or for the account of Lessee with the Enterprise Card (other than any charges which are the responsibility of Lessor under the terms of this Section 8(b)). Lessor reserves the right to change the terms and conditions for the use of the Enterprise Card at any time. The Enterprise Card remains the property of Lessor and Lessor may revoke Lessee's right to possess or use the Enterprise Card at any time. Upon termination or expiration of the Agreement or upon the demand of Lessor, Lessee must return the Enterprise Card to Lessor. The Enterprise Card is non-transferable. The monthly maintenance charge set forth on each applicable Schedule allows the number of miles per month as set forth in such Schedule. Lessee agrees to pay Lessor at the end of the applicable Term (whether by reason of expiration, early termination or otherwise) an over mileage maintenance charge for any miles in excess of this average amount per month at the rate set forth in the applicable Schedule.

**9. SELECTION OF VEHICLES AND DISCLAIMER OF WARRANTIES:**

(a) LESSEE ACCEPTANCE OF DELIVERY AND USE OF EACH VEHICLE WILL CONCLUSIVELY ESTABLISH THAT SUCH VEHICLE IS OF A SIZE, DESIGN, CAPACITY, TYPE AND MANUFACTURE SELECTED BY LESSEE AND THAT SUCH VEHICLE IS IN GOOD CONDITION AND REPAIR AND IS SATISFACTORY IN ALL RESPECTS AND IS SUITABLE FOR LESSEE'S PURPOSE. LESSEE ACKNOWLEDGES THAT LESSOR IS NOT A MANUFACTURER OF OR A DEALER IN ANY VEHICLE OR AN AGENT OF A MANUFACTURER OF OR A DEALER IN ANY VEHICLE.

(b) LESSOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO ANY VEHICLE, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. THE VEHICLES ARE LEASED "AS IS," "WITH ALL FAULTS." All warranties made by any supplier, vendor and/or manufacturer of a Vehicle are hereby assigned by Lessor to Lessee for the applicable Term and Lessee's only remedy, if any, is against the supplier, vendor or manufacturer of the Vehicle. No defect, unfitness or lack of governmental approval in, of or with respect to a Vehicle regardless of the cause or consequence will relieve Lessee from the performance of its obligations under this Agreement, including the payment of rent.

(c) Lessor will not be liable to Lessee for any liability, claim, loss, damage (direct, incidental or consequential) or expense of any kind or nature, caused directly or indirectly, by any Vehicle or any inadequacy of any Vehicle for any purpose or any defect (latent or patent) in any Vehicle or the use or maintenance of any Vehicle or any repair, servicing or adjustment of or to any Vehicle, or any delay in providing or failure to provide any Vehicle, or any interruption or loss of service or use of any Vehicle, or any loss of business or any damage whatsoever and however caused. In addition, Lessor will have no liability to Lessee under this Agreement or under any order authorization form executed by Lessee if Lessor is unable to locate or purchase a Vehicle ordered by Lessee or for any delay in delivery of any Vehicle ordered by Lessee.

**10. RISK OF LOSS:** Lessee assumes and agrees to bear the entire risk of loss of, theft of, damage to or destruction of any Vehicle from any cause whatsoever ("Casualty Occurrence"). No Casualty Occurrence to any Vehicle will relieve Lessee from its obligation to pay rent or to perform any of its other obligations under this Agreement. In the event of a Casualty Occurrence, Lessee shall give Lessor prompt notice of the Casualty Occurrence and thereafter will place the applicable Vehicle in good repair, condition and working order; provided, however, that if the applicable Vehicle is determined by Lessor to be lost, stolen, destroyed or damaged beyond repair (a "Totaled Vehicle"), Lessee agrees to pay Lessor no later than the date thirty (30) days after the date of the Casualty Occurrence the amounts owed under Sections 3(b) and 3(c) with respect to such Totaled Vehicle. Upon such payment, this Agreement will terminate with respect to such Totaled Vehicle.

**11. INSURANCE:**

(a) Lessee agrees to purchase and maintain in force during the Term, insurance policies in at least the amounts listed below covering each Vehicle, to be written by an insurance company or companies satisfactory to Lessor, insuring Lessee and Lessor against any damage, claim, suit, action or liability:

(i) Commercial Automobile Liability, (including Uninsured/Underinsured Motorist Coverage and No-Fault Protection where required by law), for the limits listed below. (\$5,000,000 limits are required for Vehicles capable of transporting more than 8 passengers):

<u>State of Vehicle Registration</u>	<u>Coverage</u>
Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont	\$1,000,000 Combined Single Limit Bodily Injury and Property Damage - No Deductible
Florida	\$500,000 Combined Single Limit Bodily Injury and Property Damage or \$100,000 Bodily Injury Per Person, \$300,000 Per Occurrence and \$50,000 Property Damage (100/300/50) - No Deductible
All Other States	\$300,000 Combined Single Limit Bodily Injury and Property Damage or \$100,000 Bodily Injury Per Person, \$300,000 Per Occurrence and \$50,000 Property Damage (100/300/50) - No Deductible

(ii) Physical Damage Insurance (Collision & Comprehensive: Actual cash value of the applicable Vehicle. Maximum deductible of \$500 per occurrence - Collision and \$250 per occurrence - Comprehensive).

If the requirements of any governmental or regulatory agency exceed the minimums stated in this Agreement, Lessee must obtain and maintain the higher limits. Lessee agrees that each required policy of insurance will by appropriate endorsement or otherwise name Lessor as an additional insured and as a loss payee, as its interests may appear. Further, each such insurance policy must provide the following: (i) that the same may not be cancelled, changed or modified until after the insurer has given to Lessor or its assigns at least a thirty (30) day prior written notice of such proposed cancellation, change or modification, (ii) that no act or default of Lessee or any other person shall affect the right of Lessor to recover under such policy or policies of insurance in the event of any loss of or damage to any Vehicle and (iii) that the coverage is "primary coverage" for the protection of Lessee and Lessor notwithstanding any other coverage carried by Lessee or Lessor protecting against similar risks. Original certificates evidencing such coverage and naming Lessor as an additional insured and loss payee, shall be furnished to Lessor prior to the Delivery Date, and annually thereafter and/or as reasonably requested by Lessor from time to time. In the event of default, Lessee hereby appoints Lessor as Lessee's attorney-in-fact to receive payment of, to endorse all checks and other documents and to take any other actions necessary to pursue insurance claims and recover payments if Lessee fails to do so. Any expense of Lessor in adjusting or collecting insurance shall be borne by Lessee.

Lessee, its drivers, servants and agents agree to cooperate fully with Lessor and any insurance carriers in the investigation, defense and prosecution of all claims or suits arising from the use or operation of any Vehicle. If any claim is made or action commenced for death, personal injury or property damage resulting from the ownership, maintenance, use or operation of any Vehicle, Lessee will promptly notify Lessor of such action or claim and forward to Lessor a copy of every demand, notice, summons or other process received in connection with such claim or action.

(b) Notwithstanding the provisions of Section 11(a) above: (i) if Section 4 of a Schedule includes a charge for physical damage management, Lessor agrees that (A) Lessee will not be required to obtain or maintain the minimum physical damage insurance (collision and comprehensive) required under Section 11(a) for the Vehicle(s) covered by such Schedule and (B) Lessor will assume the risk of physical damage (collision and comprehensive) to the Vehicle(s) covered by such Schedule; provided, however, that such physical damage management shall not apply to, and Lessee shall be and remain liable and responsible for, damage to a covered Vehicle caused by wear and tear or mechanical breakdown or failure, damage to or loss of any parts, accessories or components added to a covered Vehicle by Lessee without the prior written consent of Lessor and/or damage to or loss of any property and/or personal effects contained in a covered Vehicle. In the event of a Casualty Occurrence to a covered Vehicle, Lessor may, at its option, replace, rather than repair, the damaged Vehicle with an equivalent vehicle, which replacement vehicle will then constitute the "Vehicle" for purposes of this Agreement; and (ii) if Section 4 of a Schedule includes a charge for commercial automobile liability enrollment, Lessor agrees that it will, at its expense, obtain for and on behalf of Lessee (either by adding Lessee as an additional insured under a commercial automobile liability insurance policy insuring Lessor, obtaining insurance on behalf of Lessee or otherwise) the minimum commercial automobile liability insurance required under Section 11(a) for the Vehicle(s) covered by such Schedule. Lessor may at any time during the applicable Term terminate said obligation to provide physical damage management and/or commercial automobile liability enrollment and cancel such physical damage management and/or commercial automobile liability enrollment upon giving Lessee ten (10) days written notice. Upon such cancellation, insurance in the minimum amounts as set forth in 11(a) shall be obtained and maintained by Lessee at Lessee's expense. An adjustment will be made in monthly rental charges payable by Lessee to reflect such insurance change and Lessee agrees to furnish Lessor with satisfactory proof of insurance coverage within ten (10) days after mailing of the notice. In addition, Lessor may change the rates charged by Lessor under this Section 11(b) for physical damage management and/or commercial automobile liability enrollment upon giving Lessee thirty (30) days prior written notice.

**12. INDEMNITY:** Lessee agrees to defend and indemnify Lessor from and against any and all losses, damages, liabilities, suits, claims, demands, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) which Lessor may incur by reason of Lessee's breach or violation of, or failure to observe or perform, any term, provision or covenant of this Agreement, or as a result of any loss, damage, theft or destruction of any Vehicle or related to or arising out of or in connection with the use, operation or condition of any of the Vehicle. The provisions of this Section 12 shall survive any expiration or termination of this Agreement.

**13. INSPECTION OF VEHICLES; ODOMETER DISCLOSURE; FINANCIAL STATEMENTS:** Lessee agrees to accomplish, at its expense, all inspections of the Vehicles required by any governmental authority during the Term. Lessor will have the right to inspect any Vehicle at any reasonable time(s) during the Term and for this purpose to enter into or upon any building or place where any Vehicle is located. Lessee agrees to comply with all odometer disclosure laws, rules and regulations and to provide such written and signed disclosure information on such forms and in such manner as directed by Lessor. Providing false information or failure to complete the odometer disclosure form as required by law may result in fines and/or imprisonment. Lessee hereby agrees to promptly deliver to Lessor such financial statements and other financial information regarding Lessee as Lessor may from time to time reasonably request.

**14. DEFAULT; REMEDIES:** The following shall constitute events of default ("Events of Default") by Lessee under this Agreement: (a) if Lessee fails to pay when due any rent or other amount due under this Agreement; (b) if Lessee fails to perform, keep or observe any other term, provision or covenant contained in this Agreement; (c) any seizure or confiscation of any Vehicle or any other act (other than a Casualty Occurrence) otherwise rendering any Vehicle unsuitable for use (as determined by Lessor); (d) if any present or future guaranty in favor of Lessor of all or any portion of the obligations of Lessee under this Agreement shall at any time for any reason cease to be in full force and effect or shall be declared to be null and void by a court of competent

jurisdiction, or if the validity or enforceability of any such guaranty shall be contested or denied by any guarantor, or if any guarantor shall deny that it, he or she has any further liability or obligation under any such guaranty or if any guarantor shall fail to comply with or observe any of the terms, provisions or conditions contained in any such guaranty; (e) the occurrence of a material adverse change in the financial condition or business of Lessee or any guarantor; or (f) if Lessee or any guarantor is in default under or fails to comply with any other present or future agreement with or in favor of Lessor, Enterprise Rent-A-Car Company or any direct or indirect subsidiary of Enterprise Rent-A-Car Company. For purposes of this Section 14, the term "guarantor" shall mean any present or future guarantor of all or any portion of the obligations of Lessee under this Agreement.

Upon the occurrence of any Event of Default, Lessor, without notice to Lessee, will have the right to exercise concurrently or separately (and without any election of remedies being deemed made), the following remedies: (a) Lessor may demand and receive immediate possession of any or all of the Vehicles from Lessee, without releasing Lessee from its obligations under this Agreement; if Lessee fails to surrender possession of the Vehicles to Lessor on default (or termination or expiration of the Term), Lessor and its agents and independent contractors shall have the right to enter upon any premises where the Vehicles may be located and to remove and repossess the Vehicles; (b) Lessor may enforce performance by Lessee of its obligations under this Agreement; (c) Lessor may recover damages and expenses sustained by Lessor by reason of Lessee's default including, to the extent permitted by applicable law, all costs and expenses, including court costs and reasonable attorneys' fees and expenses, incurred by Lessor in attempting or effecting enforcement of its rights under this Agreement (whether or not litigation is commenced) and/or in connection with bankruptcy or insolvency proceedings; (d) upon written notice to Lessee, Lessor may terminate Lessee's rights under this Agreement; (e) with respect to each Vehicle, Lessor may recover from Lessee all amounts owed by Lessee under Sections 3(b) and 3(c) of this Agreement (and, if Lessor does not recover possession of a Vehicle, (i) the estimated wholesale value of such Vehicle for purposes of Section 3(c) shall be deemed to be \$0.00 and (ii) the calculations described in the first two sentences of Section 3(c) shall be made without giving effect to clause (ii) in each such sentence); and/or (f) Lessor may exercise any other right or remedy which may be available to Lessor under the Uniform Commercial Code, any other applicable law or in equity. A termination of this Agreement shall occur only upon written notice by Lessor to Lessee. Any termination shall not affect Lessee's obligation to pay all amounts due for periods prior to the effective date of such termination or Lessee's obligation to pay any indemnities under this Agreement. All remedies of Lessor under this Agreement or at law or in equity are cumulative.

**15. ASSIGNMENTS:** Lessor may from time to time assign, pledge or transfer this Agreement and any or all of its rights and obligations hereunder to an affiliate of Lessor. Lessee agrees, upon notice of any such assignment, pledge or transfer, to pay all amounts due or to become due under this Agreement to such assignee, pledgee or transferee. Each such assignee, pledgee or transferee will have all of the rights and obligations of Lessor that have been assigned to it under this Agreement. Lessee's rights and interest in and to the Vehicles are and will continue at all times to be subject and subordinate in all respects to any assignment, pledge or transfer now or hereafter executed by Lessor with or in favor of any such assignee, pledgee or transferee, provided that Lessee shall have the right of quiet enjoyment of the Vehicles so long as no Event of Default under this Agreement has occurred and is continuing.

Without the prior written consent of Lessor, Lessee may not assign, sublease, transfer or pledge this Agreement, any Vehicle, or any interest in this Agreement or in and to any Vehicle, or permit its rights under this Agreement or any Vehicle to be subject to any lien, charge or encumbrance. Lessee's interest in this Agreement is not assignable and cannot be assigned or transferred by operation of law. Lessee will not transfer or relinquish possession of any Vehicle (except for the sole purpose of repair or service of such Vehicle) without the prior written consent of Lessor.

**16. MISCELLANEOUS:** This Agreement contains the entire understanding of the parties. Only an instrument in writing executed by both parties may make any modification or amendment of this Agreement. Lessor shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies under this Agreement and no waiver whatsoever shall be valid unless in writing and signed by Lessor and then only to the extent therein set forth. A waiver by Lessor of any right or remedy under this Agreement on any one occasion shall not be construed as a bar to any right or remedy, which Lessor would otherwise have on any future occasion. If any term or provision of this Agreement or any application of any such term or provision is invalid or unenforceable, the remainder of this Agreement and any other application of such term or provision will not be affected thereby. Giving of all notices under this Agreement will be sufficient if mailed by certified mail to a party at its address set forth below or at such other address as such party may provide in writing from time to time. Any such notice mailed to such address will be effective one (1) day after deposit in the United States mail, duly addressed, with certified mail, postage prepaid. Lessee will promptly notify Lessor of any change in Lessee's address. This Agreement may be executed in multiple counterparts (including teletype counterparts), but the counterpart marked "ORIGINAL" by Lessor will be the original lease for purposes of applicable law. All of the representations, warranties, covenants, agreements and obligations of each Lessee under this Agreement (if more than one) are joint and several.

**17. SUCCESSORS AND ASSIGNS; GOVERNING LAW:** Subject to the provisions of Section 15, this Agreement will be binding upon Lessee and its heirs, executors, personal representatives, successors and assigns, and will inure to the benefit of Lessor and its successors and assigns. This Agreement will be governed by and construed in accordance with the substantive laws of the state where Lessor's office is located (as set forth below), which law will apply in the event of any conflict of law.

IN WITNESS WHEREOF, Lessor and Lessee have duly executed this Master Equity Lease Agreement as of the day and year first above written.

LESSEE: Franchise Name:

LESSOR: Enterprise Fleet Services

By: \_\_\_\_\_  
Title: Registered Officer:

By: Edward M. Latorre  
Title: Group Sales Manager

Address: \_\_\_\_\_  
City, State, ZIP:

Address: 5105 Johnson Rd.  
Coconut Creek, FL 33073

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

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



# Open-End (Equity) Lease Rate Quote

Quote No: 1157713

**Prepared For:** PuroSystems, Inc.  
Feichter, Troy

**Date** 03/06/2008

**AE/AM** PMO/NAM

**Unit #** USR556

**Year** 2008

**Make** Chevrolet

**Model** Express

**Series** Work Van Rear-wheel Drive G2500 Extended Cargo Van

**Vehicle Order Type** Ordered

**Term** 48

**State** IL

**Customer No** 239607

\$ 22,763.95	Capitalized Price of Vehicle <sup>1</sup>
\$ 0.00 *	Sales Tax <u>0.0000%</u> <b>State</b> <u>IL</u>
\$ 0.00 *	Initial License Fee
\$ 0.00 *	Registration Fee
\$ 0.00	Other
\$ 0.00 *	Capitalized Price Reduction
\$ 0.00 *	Tax on Capitalized Price Reduction
\$ 0.00	Gain Applied From Prior Unit
\$ 0.00 *	Security Deposit
\$ 0.00	Extended Service Contract

**Order Information**

<b>Driver Name</b>	IL POOL
<b>Exterior Color</b>	(0 P) Summit White
<b>Interior Color</b>	(0 I) Medium Pewter w/Custom Vinyl Seat Trim
<b>Lic. Plate Type</b>	Standard
<b>GVWR</b>	0

\$ 22,763.95	Total Capitalized Amount (Delivered Price)
\$ 474.25	Depreciation Reserve @ <u>2.083%</u>
\$ 87.39	Monthly Lease Charge (Based on Prime @ <u>6.000%</u> ) <sup>2</sup>
<b>\$ 561.64</b>	<b>Total Monthly Rental Excluding Additional Services</b>

**Additional Fleet Management**

Master Policy Enrollment Fees

\$ 0.00 Commercial Automobile Liability Enrollment  
Liability Limit \$0.00

\$ 0.00 Physical Damage Management

Comp/Coll Deductible 0 / 0

\$ 92.28 Full Maintenance Program Contract Miles 80,000  
Incl: # Brake Sets (1 set = 1 Axle) 3

OverMileage Charge \$ 0.0350 Per Mile

# Tires 4

Loaner Vehicle Not Included

**\$ 92.28 Additional Services SubTotal**

\$ 33.70 Use Tax 6.000%

**State** IL

**\$ 687.62 Total Monthly Rental Including A dditional Services**

\$ 0.00 Reduced Book Value at 48 Months

\$ 395.00 Service Charge Due at Lease Termination

Quote based on estimated annual mileage of 20,000  
(Current market and vehicle conditions may also affect value of vehicle)  
(Quote is Subject to Customer's Credit Approval)  
Notes

**ALL TAX AND LICENSE FEES TO BE BILLED TO LESSEE AS THEY OCCUR.**

Lessee hereby authorizes this vehicle order, agrees to lease the vehicle on the terms set forth herein and in the Master Equity Lease Agreement and agrees that Lessor shall have the right to collect damages in the event Lessee fails or refuses to accept delivery of the ordered vehicle. Lessee certifies that it intends that more than 50% of the use of the vehicle is to be in a trade or business of the Lessee.

**LESSEE** PuroSystems, Inc.

**BY**

**TITLE**

**DATE**

\* INDICATES ITEMS TO BE BILLED ON DELIVERY.

<sup>1</sup> CAPITALIZED PRICE OF VEHICLE MAY BE ADJUSTED TO REFLECT FINAL MANUFACTURER'S INVOICE. LESSEE HEREBY ASSIGNS TO LESSOR ANY MANUFACTURER REBATES AND/OR MANUFACTURER INCENTIVES INTENDED FOR THE LESSEE, WHICH REBATES AND/OR INCENTIVES HAVE BEEN USED BY LESSOR TO REDUCE THE CAPITALIZED PRICE OF THE VEHICLE.

<sup>2</sup> MONTHLY LEASE CHARGE WILL BE ADJUSTED TO REFLECT THE ACTUAL PRIME RATE ON THE DELIVERY DATE.



# Open-End (Equity) Lease Rate Quote

Quote No: 1157713

## Aftermarket Equipment Total

Description	(B)illed or (C)apped	Price
TRANSPORTATION COSTS - will vary by location of the Franchisee.	C	\$ 0.00
SIGNAGE - Proofing and Installation will be done by an Assigned SAR location and billed to customer. SAR location to be determined once Franchisee is assigned.	B	\$ 0.00
Puroclean Interior Package #2. Customer will be responsible for coordinating install with local Adrian Steel vendor.EFM wil provide contact info for vendor and pay invoice.DD: (517) 266-5206- Fax: (517) 265-9014 - pluce@adriansteel.com	C	\$ 1,500.00
<b>Total Aftermarket Equipment Billed</b>		\$ 0.00
<b>Total Aftermarket Equipment Capitalized</b>		\$ 1,500.00
<b>Aftermarket Equipment Total</b>		\$ 1,500.00



# Open-End (Equity) Lease Rate Quote

Quote No: 1157713

## Vehicle Information

2008 Chevrolet Express Work Van Rear-wheel Drive G2500 Extended Cargo Van  
Series ID: CG23705

### Pricing Summary:

	INVOICE	MSRP
Base Vehicle	\$ 22,609.65	\$ 24,710.00
Total Options	\$ 174.30	\$ 210.00
Destination Charge	\$ 980.00	\$ 980.00
<b>Total Price</b>	<b>\$ 23,763.95</b>	<b>\$ 25,900.00</b>

### SELECTED OPTIONS

CODE	DESCRIPTION	INVOICE	MSRP
MT1	Transmission: Electronic 4-Speed HD Auto w/OD	\$ 0.00	\$ 0.00
YHH	Tires: Rear LT245/75R16E AS BW	\$ 0.00	\$ 0.00
UM7	Radio: AM/FM Stereo w/Seek & Scan/Digital Clock	\$ 124.50	\$ 150.00
C6P	GVWR: 8,600 lbs (3,901 kg)	\$ 0.00	\$ 0.00
~~W	Custom Vinyl Seat Trim	\$ 0.00	\$ 0.00
STDWL	Wheels: Gray-Painted w/Gray Center Caps	\$ 0.00	\$ 0.00
ZW2	Fixed Rear Door Glass	\$ 49.80	\$ 60.00
GT4	3.73 Axle Ratio	\$ 0.00	\$ 0.00
ZX2	Driver & Passenger High-Back Bucket Seats	\$ 0.00	\$ 0.00
ZY1	Solid Paint	\$ 0.00	\$ 0.00
PNTTBL01	Paint Table : Primary w/Cargo Work Van	\$ 0.00	\$ 0.00
93W_01	(0 I) Medium Pewter w/Custom Vinyl Seat Trim	\$ 0.00	\$ 0.00
ZHH	Tire: Spare LT245/75R16E AS BW	\$ 0.00	\$ 0.00
XHH	Tires: Front LT245/75R16E AS BW	\$ 0.00	\$ 0.00
FE9	Federal Emissions Requirements	\$ 0.00	\$ 0.00
1WT	Preferred Equipment Group 1	\$ 0.00	\$ 0.00
AR7	Reclining High-Back Front Bucket Seats	\$ 0.00	\$ 0.00
50U_02	(0 P) Summit White	\$ 0.00	\$ 0.00
LY2	Engine: Vortec 4.8L V8 SFI	\$ 0.00	\$ 0.00

### STANDARD EQUIPMENT

#### Body Exterior Features:

- 3 doors
- Split swing-out right rear passenger door
- Split swing-out rear cargo door
- Folding side-view door mirrors
- Convex driver and passenger mirror
- Black door handles
- Black front and rear bumpers
- Rear bumper with black rub strip
- Rear step bumper
- Front licence plate bracket
- Fully galvanized steel body material
- Black grille

#### Convenience Features:

- Manual air conditioning
- Day-night rearview mirror
- Front cupholder

- Console with storage
- Driver and passenger door bins
- Bin instrument-panel storage
- Retained accessory power
- 2 12V DC power outlets

Entertainment Features:

- 2 speakers
- Fixed antenna

Lighting, Visibility and Instrumentation Features:

- Sealed beam halogen headlamps
- Variable intermittent wipers
- Front windshield visor strip
- Light-tinted windows
- Variable instrument panel lighting
- Analog display
- Tachometer
- Voltmeter
- Tire specific low-tire-pressure warning
- Trip computer
- Trip odometer
- Oil pressure gauge
- Water temp. gauge
- Engine hour meter
- Battery warning
- Lights-on warning
- Key-in-ignition warning

Safety and Security:

- Four-wheel ABS brakes
- 4 ABS channels
- Four-wheel disc brakes
- Front and rear ventilated disc brakes
- Daytime running lights
- Full-size spare tire
- Underbody mounted spare tire w/crankdown
- Driver front-impact airbag
- Cancellable passenger front-impact airbag
- Height adjustable front seatbelts
- Side-impact bars
- Manual tailgate/rear door lock
- Ignition disable
- Fixed front head restraints

Seats and Trim:

- Max. seating capacity of 2
- Front bucket seats
- 4-way driver and passenger seat adjustments
- Manual reclining driver and passenger seats
- Manual driver and passenger fore/aft adjustment
- Vinyl front seat upholstery
- Front cloth headliner
- Vinyl/rubber floor covering
- Plastic/rubber shift knob
- Vinyl/rubber cargo space



Cargo light

Standard Engine:

Engine 279-hp, 4.8-liter V-8

Standard Transmission:

Transmission 4-speed automatic w/OD

**SELECTED COLOR**

Exterior: 50U (0 P) Summit White

Interior: 93W(0 I) Medium Pewter w/Custom Vinyl Seat Trim

**EXHIBIT K**

**RECEIPTS**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If PuroSystems, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Maryland, New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon, Washington and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

The franchisor is PuroSystems, Inc., located at 6001 Hiatus Road, Suite 13, Tamarac, FL 33321. Its telephone number is (800) 775-7876.

Issuance Date: February 27, 2008.

The franchise sellers for this offering are as follows:

\_\_\_\_\_  
\_\_\_\_\_

PuroSystems, Inc. authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I received a Disclosure Document dated February 27, 2008, that included the following Exhibits: (A) List of Franchisees, (B) List of State Agencies and Administrators, (C) Audited Financial Statements, (D) Manuals Table of Contents, (E) Franchise Agreement, (F) State Addenda, (G) Franchise Compliance Certification, (H) Affidavit, (I) Collateral Assignment of Telephone Numbers and Listings, (J) Enterprise Fleet Leasing Agreement, and (K) Receipts.

Date: \_\_\_\_\_  
Signed: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone ( ) \_\_\_\_\_

Date: \_\_\_\_\_  
Signed: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone ( ) \_\_\_\_\_

Copy for Franchisee

**RECEIPT**

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Date: \_\_\_\_\_  
Signed: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone ( ) \_\_\_\_\_

Date: \_\_\_\_\_  
Signed: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone ( ) \_\_\_\_\_

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