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FRANCHISE DISCLOSURE DOCUMENT

Harris Research, Inc.
a Utah Corporation
124 12th Ave. South, Suite 300
Nashville, TN 37203
(800) 841-6583
www.chemdry.com

The franchise offered is for the operation of a Chem-Dry business which provides carpet cleaning, upholstery cleaning, spot removal, protective services and other authorized services.

The total investment necessary to begin operation of a Chem-Dry franchised business is $16,550 to $162,457. This includes $18,000 (for existing franchisees) to $89,456, which will vary based upon the applicable package described in Item 5, which must be paid to the franchisor.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact your sales representative at 124 12th Ave. South, Suite 300, Nashville, TN 37203, 800-841-6583 or 877-307-8233.

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, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date of this Franchise Disclosure Document: April 1, 2018

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STATE COVER PAGE

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

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor 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:

THE FRANCHISE AGREEMENT REQUIRES YOU TO ARBITRATE WITH US ONLY IN TENNESSEE OR UTAH. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN TENNESSEE OR UTAH THAN IN YOUR HOME STATE.

THE FRANCHISE AGREEMENT STATES THAT TENNESSEE LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. SOME STATE FRANCHISE LAWS PROVIDE THAT CHOICE OF LAW PROVISIONS ARE VOID OR SUPERSEDED. YOU MAY WANT TO INVESTIGATE WHETHER YOU ARE PROTECTED BY A STATE FRANCHISE LAW. YOU SHOULD REVIEW ANY ADDENDA OR RIDERS ATTACHED TO THIS DISCLOSURE DOCUMENT FOR DISCLOSURES REGARDING STATE FRANCHISE LAWS.

IT IS IMPORTANT TO NOTE THAT THE FRANCHISOR'S LIABILITIES EXCEED ITS TANGIBLE ASSETS, WHICH MAY ENTAIL ADDITIONAL RISK OF FINANCIAL LOSS.

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.

Issuance Date: April 1, 2018

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STATE EFFECTIVE DATES

State	Effective Date
California:	
Hawaii:	
Illinois:	
Indiana:	
Maryland:	
Michigan:	
Minnesota:	
New York:	
North Dakota:	
Rhode Island:	
South Dakota:	
Virginia:	
Washington:	
Wisconsin:	

In all other states, the effective date of this franchise disclosure document is the issuance date of April 1, 2018.

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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

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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.

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise disclosure are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan
Office of the Attorney General
Consumer Protection Division
Franchise Section
525 W. Ottawa Street
Lansing, MI 48913
517-373-7117

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Exhibits:

Exhibit A	Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Business Note
Exhibit D	Equipment Sales and Security Agreement
Exhibit E	Release Agreements
Exhibit F	Operating Manual Table of Contents
Exhibit G	Software License Agreement
Exhibit H	List of Franchisees
Exhibit I	List of Former Franchisees
Exhibit J	Financial Statements
Exhibit K	State Addendums
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Item 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor is Harris Research, Inc., which will be referred to as "HRI", "we" or "us" in this disclosure document. We will refer to the person who buys the franchise as "you" throughout the disclosure document.

HRI is a Utah corporation incorporated in March 1994 with its principal business address at 124 12th Ave. South, Suite 300, Nashville, TN 37203; we continue to have an additional location at 1530 North 1000 West, Logan, UT 84321, which was HRI's principal address from 1993 to May 2012. HRI was originally incorporated in California in November 1977. HRI's agent for service of process is disclosed in **Exhibit A**.

On September 7, 2011, Baird Capital Partners ("BCP") acquired control of HRI from The Home Depot, Inc., and HRI became a wholly owned subsidiary of HRI Holdings, Inc. ("HRI Holdings"), which was owned by BCP. BCP and HRI Holdings' address is 227 W. Monroe Street, Suite 1900, Chicago, Illinois 60606.

HRI and its predecessors have offered Chem-Dry Franchises since September 1978. HRI does business under the names "Chem-Dry" and "Harris Research, Inc." From May 2003 through December 2012, HRI offered N-Hance® franchises in the United States and in Canada until August 2017. HRI continues to offer master franchises for N-Hance businesses in other countries and currently has master franchises in Canada, Australia, and New Zealand. Aside from N-Hance franchises, neither HRI nor any predecessor, parent or affiliate has offered franchises in any other line of business.

HRI affiliated companies currently offering franchises or services to franchisees include:

NHance, Inc. "NHI" is a Delaware corporation incorporated on December 31, 2012 and commencing operations on January 1, 2013, with its principal business address at 1530 North 1000 West, Logan, UT 84321. NHI franchises offer wood cleaning, coating, protection and other wood care and renewal products and services for wood flooring, cabinetry, trim and other wood furnishings. NHI currently has approximately 475 franchises in the United States. NHI does not offer franchises in any other line of business.

Devere International, Inc. "DII" is a California corporation, incorporated in September 1987 with its principal business address at 124 12th Ave. South, Suite 300, Nashville, TN 37203. DII offers Chem-Dry Master Franchises outside of the United States and the Caribbean. Prior to September 6, 1996, HRI and DII were separate corporations under common ownership. On September 6, 1996, the owner ccontributed 100% of DII stock to HRI and thus DII became a wholly owned subsidiary of HRI. There is no predecessor or affiliate of DII and DII has not offered franchises or Master Franchises in any other line of business. Master Franchises typically involve granting an individual the right to offer sub-franchises under the Marks within a specific territory outside of the United States and the Caribbean.

Delta Development Group, Inc. "DDG" is a Colorado corporation, incorporated on January 5, 2010 with its principal business address at 5535 W. 56th Avenue, Suite 104, Arvada, Colorado 80002. DDG became a wholly owned subsidiary of HRI Holdings on March 16, 2018. DDG offers Delta Services franchises which offer commercial and residential property mitigation, reconstruction, remodeling and consulting services. DDG currently has approximately 7 franchises, all in the United

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States. DDG does not offer franchises in any other line of business. DDG has never operated nor offered franchises for Chem-Dry Businesses.

HRI has designed and developed a method for establishing, operating and performing carpet and upholstery/drapery cleaning, including area rug cleaning, spot removal, protective services, and tile and stone care services, using HRI's Chem-Dry specifications, standards, operating procedures, supplies and specialized equipment, all of which may be improved, further developed, or otherwise modified (the "Chem-Dry Business"). HRI developed and manufactures the cleaning solutions used by Chem-Dry Businesses.

To become a franchisee of a Chem-Dry Business, you must enter into the Franchise Agreement (the "Franchise Agreement") and the Business Note (the "Business Note") attached as **Exhibits B** and **C**. If a franchisee is a corporation or other entity, all owners must execute the Guaranty and Assumption of Obligation attached to the Franchise Agreement. Under the terms of the Franchise Agreement, you must offer and perform carpet and area rug cleaning, upholstery cleaning, spot removal and protecting services, including removing red stains, treating pet urine odor on carpets and imparting stain resistance to carpet fibers. You also may offer and perform additional approved services which may require certification by successful completion of additional training and/or the purchase of additional equipment and cleaning solutions. We reserve the right to change the list of additional approved services from time to time, but the current list of additional approved services includes leather and vinyl cleaning, carpet repair, carpet spot dyeing and vinyl composite tile cleaning services.

The general market for the services provided through Chem-Dry Businesses is developed. Customers are mostly residential although many, but not all, franchisees service commercial accounts. The seasonality of sales varies geographically and by climate. The competition is other carpet cleaning and similar businesses, some of which are part of national chains or are franchised, and others are local businesses which may concentrate on carpet cleaning or offer carpet cleaning as part of overall cleaning services. Most of the competition uses steam cleaning and other forms of cleaning, which are different from HRI's patented carbonating cleaning system.

You must comply with federal, state, and local health and environmental laws concerning the proper handling and disposal of cleaning products used in, and wastewater generated by, the business. You should investigate the application of these laws further and make inquiries about other laws that may be applicable to your Chem-Dry Business.

Item 2
BUSINESS EXPERIENCE

President/CEO: Dan Tarantin Mr. Tarantin joined HRI as President and CEO on November 11, 2011. He also serves as President and CEO of our affiliate NHI, since November 11, 2012, and CEO of DDG, since March 16, 2018. Mr. Tarantin joined the Board of Directors of HRI, as the Chairman, in September 2011.

Director: Andrew Brickman Mr. Brickman joined the Board of Directors of HRI in Nashville, Tennessee in March 2017. He is also on the Board of Directors for NHI, since March 2017, and DDG, since March 16, 2018. He is currently a Partner with BCP in Chicago, Illinois and has been with BCP since 1998.

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Director: Michael Groneberg Mr. Groneberg joined the Board of Directors of HRI in Nashville, Tennessee in September 2015. He is also on the Board of Directors for NHI, since September 2015, and DDG, since March 16, 2018. Since October 2006, he has been a Managing Director at Thrivent Financial in Minneapolis, Minnesota.

Director: David Schroeder Mr. Schroeder joined the Board of Directors of HRI in Nashville, Tennessee in July 2015. He is also on the Board of Directors for NHI, since July 2015, and DDG, since March 16, 2018. Since January 2010, Mr. Schroeder has been a principal at Corvus Advisors, LLC in Mequon, Wisconsin.

Director: David Hood Mr. Hood joined the Board of Directors of HRI in Nashville, Tennessee in April 2012. He is also on the Board of Directors for NHI, since April 2012, and DDG, since March 16, 2018. Since 2000, he serves as the President and co-partner of iFranchise Group Charlotte, North Carolina.

Director: John Snodgrass Mr. Snodgrass joined the Board of Directors of HRI in Nashville, Tennessee in August 2012. He is also on the Board of Directors for NHI, since August 2012, and DDG, since March 16, 2018. He is the founding principal and the Managing Director of Great American Holdings, L.P., a privately held holding company in Atlanta, Georgia since March 1999.

Chief Financial Officer: Curtis Arnold Mr. Arnold joined the management team of HRI in July 2014 as Chief Financial Officer. He also serves in the same capacity for our affiliates NHI, since July 2014, and DDG, since March 16, 2018. Previously he served as Chief Financial Officer for a division of MorphoTrust USA in Franklin, Tennessee since February 2010 to July 2014.

Senior Vice President of Franchise Sales and Development: Douglas Smith Mr. Smith joined the management team at HRI in August 2015 as Senior Vice President of Franchise Sales and Development. From December 2001 to July 2015 he served as Senior Vice President of Sales for Affinion Group in Franklin, Tennessee.

Senior Vice President of Franchise Services: Ed Quinlan Mr. Quinlan joined HRI on July 12, 2006 as Director of Marketing.

Senior Vice President of Marketing: William Zinke Mr. Zinke joined HRI as Vice President of Marketing for Chem-Dry in May 2012 and was named Senior Vice President of Marketing in January 2018 and serves in the same capacity for DDG since March 16, 2018.

Vice President of Legal and Franchise Administration: Melanie Parker Ms. Parker became the Vice President of Legal and Franchise Administration in October 2015, and serves in the same capacity for our affiliates, NHI, since October 2015, and DDG, since March 16, 2018. Ms. Parker joined HRI in June 2012 as the Director of Franchise Administration for HRI and NHI.

Technical & Training Manager: Jotham Hatch Mr. Hatch joined HRI in July 2003. He has been Technical Training Director since August 2007.

Item 3
LITIGATION

Pending Actions:

No pending actions are required to be disclosed in this disclosure document.

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Prior Actions:

Brian Robert Neidig v. Home Depot and HRI, Docket No. L-706-10 in the Superior Court of New Jersey, filed on February 18, 2010. This former Chem-Dry franchisee filed an action against HRI for fraud and breach of contract, without specifying any damages. HRI moved to dismiss the case in favor of an arbitration proceeding it filed against Neidig before the American Arbitration Association, Case No. 77 114 E 00222 10 LGB. HRI's motion was granted and the New Jersey court case was dismissed on April 30, 2010. Neidig did not respond to HRI's Arbitration Demand, and the arbitration was held in abeyance until January 19, 2012, when Neidig filed a counterclaim against HRI, and sought to proceed with the arbitration. Neidig asserted that HRI misrepresented the nature of its franchise system, breached the franchise agreement, and interfered with his business operations. Neidig sought compensatory and punitive damages totaling $5 million. HRI denied all of Neidig's allegations and defended the claims, which were settled shortly before the scheduled arbitration for a nominal payment of $20,000 by HRI. The case was dismissed on October 30, 2012.

Governmental Actions:

No governmental actions are required to be disclosed in this disclosure document.

Franchisor Initiated Suits:

Harris Research, Inc. v. Greenway Associates, Inc. et al, Civ. No. 1:16-cv-00114, U.S. District Court for District of Utah. HRI filed an August 19, 2016 Complaint against this former Chem-Dry franchisee and its guarantor Howard Belfer's failure to cease use of HRI's trademarks and proprietary products, for operating a competitive business, and for outstanding amounts owed in violation of the parties' Franchise Agreements, seeking injunctive relief, damages and attorney's fees. On November 1, 2016, defendant Greenway Associates, Inc. filed a Counterclaim against HRI, including a demand for $2.2 million in damages, based on claims of Breach of Contract and Breach of Covenant of Good Faith and Fair Dealing. On December 30, 2016, HRI filed a motion to compel arbitration of the claims in the lawsuit before the American Arbitration Association, which motion Defendants opposed. On January 27, 2017, the Court entered an Order granting HRI's Motion to Compel Arbitration, and stayed the lawsuit pending its completion. On November 30, 2017 the parties reached a Settlement of all claims, whereby the franchisee agreed to pay HRI a confidential amount, the franchisee took nothing on its Counterclaim, and to otherwise comply with the post-termination provisions of the Franchise agreements.

Additional franchisor initiated suits: The following cases were filed by HRI, the franchisor, as the plaintiff. Case type includes: Collection of Monthly Franchise Fees and other amounts due to HRI, return of proprietary equipment, and enforcement of standards and post-term obligations. There are no filed counterclaims against HRI.

Harris Research, Inc. v. Janet Levesque, Chuck Levesque, Kyle Fowler, Elizabeth Fowler and Shepherds At Work, Inc., individually and doing business as "Fowler's Carpet and Upholstery Cleaning" and/or "JC's Chem-Dry", Civ. No. 1:17-cv-00168, U.S. District Court for District of Utah.

Harris Research, Inc. v. Frank J. Paradise III and Robert M. Alliano, Sr., individually and doing business as "Paradise Chem-Dry," "Paradise Green & Clean," and/or "RNA Property Maintenance."

Other than these actions, no litigation is required to be disclosed in this disclosure document.

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Item 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this disclosure document.

Item 5
INITIAL FEES

You must pay HRI an initial fee, which will vary depending upon how many Chem-Dry franchises that you already own and the type of franchise that you purchase. If you are purchasing your first Chem-Dry franchise, then Chart A states the initial fee associated with acquiring your first franchise. If you are an existing Chem-Dry franchisee, then Chart B states the initial fee for acquiring an additional franchise.

Initial Franchise Acquisition

If you are purchasing your first Chem-Dry franchise, the initial fee (the "Initial Fee") is comprised of the following components:

(1) An initial license fee for the right to use the Marks during the term of the Franchise Agreement (the "Initial License Fee"); and

(2) A new business set package, which includes initial cleaning solutions, equipment and advertising resources, the ("New Business Set"), as indicated below in Chart A. You must execute the Equipment Agreement in Exhibit D for the equipment acquired in the chosen option(s).

Chart A - Initial Franchise Acquisition

INITIAL LICENSE FEE	PLUS	NEW BUSINESS SET PACKAGE OPTIONS	
$23,500	+	$32,995	Executive Portable Package
$23,500	+	$51,495	Executive Truck Mount Package
$23,500	+	$57,495	Executive Truck Mount Direct Drive Package

Add the Following Equipment to Any of the Above New Business Set Packages:

EQUIPMENT	ADD ON PRICE
Power Base 10X Kit	$3,951
PowerHead® Kit	$4,511

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Additional Franchise Acquisitions

Chart B is for the acquisition of additional Chem-Dry Businesses. These options are available to existing franchisees that are in compliance with current franchise standards and to new franchisees purchasing in addition to their initial Chem-Dry franchise purchase.

Chart B - Additional Franchise Acquisition

FRANCHISE TYPE	INITIAL FEE
Expansion Franchise – an "Expansion Franchise" includes the right to provide Chem-Dry services in an additional franchised area but does not include a New Business Set.	$18,000
Small Market Franchise – a "Small Market Franchise" is generally defined as an area with less than 120,000 in population and no current Chem-Dry presence. This franchise offering does not include a New Business Set.	$6,000

The Initial Fees listed above are non-refundable. Prior to purchase, HRI reserves the right to require you to show that you are developing your current area(s) to the full market potential, have sufficient equipment and crew to manage additional franchises, and that you are in good standing with HRI. Upon meeting these requirements, you will be considered for approval to acquire the additional franchise under the then-current terms. See Item 12 for additional details. If you are an existing Chem-Dry franchisee acquiring an additional franchise, you will be required to execute a release as a condition to acquire an additional franchise (See **Exhibit E**).

Down Payment and Other Payments

When you sign the Franchise Agreement and the Business Note, you must pay HRI a non-refundable down payment as indicated in Item 10. With approved financing, HRI will finance the remainder of the Initial License Fee over 56 months until the remaining balance is paid in full. All payments are due on or before the 10th day of each month and are nonrefundable. Payments generally begin the 4th month following the effective date of the Franchise Agreement and the Business Note and are non-refundable. As long as payments are made on a timely basis, outstanding balances of the purchase price bear 8%-15% simple interest. (See Item 10) If you don't complete Initial and New Buyer Training, your Business Note will be accelerated and due and payable.

HRI does not offer direct financing on New Business Sets unless as indicated in Item 10. HRI requires an automatic debit program for the payment of all fees and loan payments. In the event you are acquiring multiple franchises at the same time as purchase of the first franchise, HRI may agree to stagger the payment start dates on the subsequent franchise purchases.

Discounts

From time to time, we may offer incentives of cash grants, equipment, product, or other items as an inducement to prospective franchisees when business circumstances warrant and in states where such incentives can be offered without restrictions. We reserve the right to change or cancel any offer at any time. In addition, HRI may have refurbished equipment or other items available for purchase as a part of your New Business Set. If you choose to purchase refurbished equipment (as

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opposed to new equipment) the price of your New Business Set would be reduced to reflect the price difference of used equipment options.

We are a member of the International Franchise Association ("IFA") and participate in the IFA's VetFran Program, which provides a ten percent (10%) discount on the Initial License Fee for the first franchise acquisition for veterans of the U.S. Armed Forces who meet the requirements of the VetFran Program. We also offer a ten percent (10%) discount on the Initial License Fee for the first franchise acquisition to First Responders such as police, fire, or paramedics.

If you pay the Initial License Fee in full within six months of signing the Franchise Agreement and the Business Note, HRI will offer you a Cash Discount of 6% of the Initial License Fee.

Referral Fee

HRI will pay to any Chem-Dry franchisee a referral fee of $1,000 for potential franchisees you refer to HRI that purchase a new Chem-Dry franchise. You must be the first person to provide HRI with the name, address and phone number of the potential franchisee. If they purchase a Chem-Dry franchise within 90 days, you will receive $1,000 as a referral fee.

Item 6
OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Monthly Franchise Fee	$400.98[1]	10th day of month	Generally, begins four months after the effective date of Franchise Agreement. Subject to CPI increase each year on April 1 and not more than once per calendar year. The increase in 2017 was 2.1%. HRI has elected not to exercise a CPI increase in 2018. This fee must be paid via electronic transfer as described in Item 5.
Yearly Minimum Purchase Amount	$3,000[1]	As incurred	You must purchase a minimum of $3,000 (increased not more than once each calendar year to reflect increases in the CPI) of proprietary products from HRI each calendar year.
Successor Franchise Fee	$1,000[1]	Prior to expiration of the initial term	Fee due at the end of the initial five-year term to acquire a renewal franchise

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NAME OF FEE	AMOUNT	DUE DATE	REMARKS
			agreement.
Customer Service Management Software Fee[2]	$70 - $120 per month, after a data import fee of $200[1]	As incurred	Payable for use of the web-based Customer Management System. The Data Import Fee is only required if you have an existing customer data base to import.
Transfer Fee	$1,500 - $3,000[1]	Due at the beginning of the transfer process in which any ownership interest in your franchised business is being transferred and prior to issuance of the franchise agreement	Transfer to spouse or adult child of franchisee - $1,500, for all others, $3,000. Payable when you transfer your Chem-Dry Business or any portion of its assets to another person or corporate entity with our approval.
Transfer Fee for prospect introduced to you by HRI or its affiliates or working with HRI in the past 18 months	10% of the sales price, with a minimum of $4,000[1]	At the beginning of the transfer process and prior to issuance of the franchise agreement	Due if you propose to transfer the Franchise Business or its assets, with our prior approval, to a prospect introduced to you by HRI or who had been working with HRI in past 18 months.
Guarantor Change	$200[1]	Upon initiation of change documentation	Payable if you wish to add an additional person to the franchise agreement or corporate franchisee, with our prior approval.
Name Change	$100 per franchise[1]	As incurred	Payable when you wish to change the name of your Chem-Dry Business.
Consolidated Office Agreement Fee	$150[1]	As incurred	Payable when you wish to have only one office for multiple franchises.
Credit Card Processing Fee[2]	Will vary	As incurred	Payable on credit card transactions.
CDCS Program Handling & Processing Fee[3]	Currently 15% - 25% of invoice total[1]	As incurred	HRI shall remit to you all of the payments received from completed national accounts minus the handling & processing fee. This Fee varies based on agreed upon

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NAME OF FEE	AMOUNT	DUE DATE	REMARKS
			rates determined with each National Account.
Web Domain Fee	$75 per domain for a five-year term[1]	As incurred	To purchase the five-year rights to use one domain. This Fee for one domain is included in the New Business Set; however, you will be responsible for any fees associated with renewing the domain.
Training	$500 - $1,500[1]	At registration to attend a training event or upon receipt of training material	Costs associated with meeting annual training requirements, additional training, regional workshops, or special events.
Initial and New Buyer Training Fee - for additional attendees	$50 per day per attendee[1]	Prior to attending New Franchise Training	The New Business Set includes the cost for two to participate in this Training. Additional attendees as well as those purchasing existing franchises will pay this fee.
Optional Franchise Mentor Fee	$135 - $250[1]	As incurred	Registration fee to participate in the Franchise Mentor Program which works to partner franchisees seeking advice and help in specialized areas with experienced franchise owners for guidance and support.
Convention Fee	$1,299 - $1,999[1]	Prior to convention	Registration and lodging (one hotel room) for up to two people to attend the Chem-Dry annual convention is included in the New Business Set for first-time buyers; however, you will be responsible for your travel expenses. For existing franchisees, the Convention Fee can vary depending on when you register. You will be required to attend at least two conventions during the term of the Franchise Agreement with the first attendance occurring during

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NAME OF FEE	AMOUNT	DUE DATE	REMARKS
			the first three years of the agreement term.
Optional Tile and Stone Care Service Package	$4,500 - $9,000[1]	As incurred	Includes initial equipment, cleaning products and training.
Optional Leather Cleaning Service Package	$500-$1,200[1]	As incurred	Includes initial equipment, training materials and cleaning solutions package
Optional Website	$100 setup, $25 - $100 month per site, depending on selected upgrades[1]	10th day of month	Development, hosting and maintenance fees for franchisee sites. Month-to-month option and paid via electronic transfer.
Optional Web Marketing Services – SEO, PPC, or Social Media management	$50-$150 for setup, $100-$550 per month per program[1]	10th day of month	Your choice of program(s). Service provides ongoing editing and basic maintenance and development of content for the .net and the HRI Optional Websites, Pay-Per-Click advertising, and social media management. Month-to-month option and paid via electronic transfer.
Optional Video Customization	$50 per video[1]/ $150 initial set fee for new You Tube channel set up[1]	As incurred	This service includes personalizing videos for your Chem-Dry business, embedding your video on your website, uploading the videos to your You Tube Channel, and adding descriptions, links, and tags. If you have a You Tube channel for your Chem-Dry Business, you do not have to pay the initial set up fee.
Optional Local Search Directory, Premium Level Service	$100 setup, $65, per month[1]	10th day of month	Payable the month services begin. Some restrictions apply for Premium Level Services. Subject to CPI increase not more than once per calendar year. This fee must be paid via electronic transfer.

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NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Optional Business Phone Number Service	$3 - $25 per month per line depending on features[1]	As incurred	Packages include various features to assist with marketing, tracking, metrics reporting, call recording, call forwarding, messaging and other various features.
Optional Local Email Account	$25[1]	Annually	Annual fee for business email account through a chemdry.com site.
Optional Additional Operations Manual	$100[1]	As incurred	The Manual is provided on CD (to be printed by you) and DVDs as part of initial purchase; amount is for printing and additional CD/DVD purchase.
Fine for Improper Advertising	Up to $2,000, per violation[1]	As incurred	Payable if you use any promotional materials which do not comply with HRI's guidelines.
Fine for use and/or possession of NON Chem-Dry Products	Up to $3,000, per violation[1]	As incurred	Payable if you use or possess any NON Chem-Dry products in your Chem-Dry Business.
Fine for unapproved cleaning systems or equipment	Up to $5,000, per violation[1]	As incurred	Payable if you use any cleaning process or equipment not approved by HRI; this includes improper mixing or application.
Fine for offering NON-approved services	Up to $5,000, per violation[1]	As incurred	Payable if you offer NON-approved services in your Chem-Dry business. Failing to correct issues involving possession of unapproved +9equipment or products could result in the termination of your franchise agreement.
Fine for accepting and performing a job outside of your	Up to $2,000, per violation[1]	As incurred	Payable if you accept and perform a job outside of your franchised area.

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NAME OF FEE	AMOUNT	DUE DATE	REMARKS
franchised area			
Fine for failed QC evaluation	Will vary according to size of job[1]	As incurred	Payable if you fail a Quality Control evaluation. Fine comprised of dollar amount of cleaning service provided and evaluation fee (approximately $300).
Fine for Failure to Fulfill Annual Training Requirement	up to $500[1]	As incurred	Payable if you fail to fulfill your annual training requirements.
Fine for Failure to Fulfil National Convention Attendance Requirement	Up to $500[1]	As incurred	Payable if you fail to fulfill your requirements to attend at least one annual convention every three years.
Customer Complaint Resolution	Will vary under circumstances	As incurred	Payable by you to resolve customer complaints concerning your job performance. If we resolve a customer issue for you, we will charge any amounts we spend to your account.
Audit	$500[1]	As incurred	Daily fee if you fail to provide required materials in required format.
Late Fee and Interest[1]	One-time late fee of $100 and 1.5% per month, not to exceed the highest contract rate allowed by law[1]	15 days after billing	Payable on all overdue amounts.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement.
Indemnification	Will vary under circumstances[1]	As incurred	You must reimburse us if we are held liable for claims arising from your operations.

1 All fees are imposed by and payable to us or our designee and are non-refundable.

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2 All new Chem-Dry franchisees are required to use a web based customer management system designed to help you manage service calls and appointments, maintain customer lists, and support your marketing efforts. You will be required to sign a Software License Agreement (see **Exhibit G**).

3 "CDCS" refers to the Chem-Dry Corporate Services Department.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial License Fee (1)	$6,000 - $23,500, per franchise	Part Lump Sum, Remainder Installments	Due when you sign the Franchise Agreement and the Business Note, remainder financed, with approved financing, generally beginning 4th month following the effective date of Franchise Agreement and the Business Note	HRI
New Business Set (1)	$0 - $57,495	Lump Sum	Date of signing Franchise Agreement	HRI
Additional Equipment Purchases	$0 to $8,462	Lump Sum	Date of signing Franchise Agreement	HRI
Cargo Van (2)	$0 - $35,000	As Incurred	As Agreed	Third Parties
Three Month's Rent (3)	$0 - $4,000	As Incurred	As Agreed	Third Parties

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Telephone and Business License	$400 - $4,000	As Incurred	As Agreed	Third Parties
Training and Convention Attendance Expenses (4)	$1,250 - $3,000(4)	As Incurred	Prior to new buyer training	HRI and Third Parties
Insurance (5)	$600 - $6,000	As Incurred	As Incurred	Third Parties
Additional Funds - 3 months (6)	$2,500 - $9,000	As Incurred	As Incurred	Third Parties
Computer System (7)	$800 - $2,000	As Incurred	As Agreed	HRI and Third Parties
Advertising - 3 months (8)	$5,000 - $10,000	As Incurred	As Agreed	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (9)	$16,550 - $162,457			

Explanatory Notes:

1. In order to acquire a Chem-Dry franchise, you must pay HRI the Initial Fee for the chosen franchise offer as outlined in Item 5. The Initial Fee is non-refundable, and can be paid in a single lump sum payment or you may be eligible for financing of the Initial License Fee portion of the Initial Fee. When you sign the Franchise Agreement and the Business Note, you must pay a down payment of $3,000 - $6,000 to HRI toward the Initial License Fee. See Item 5 for additional information regarding the Initial Fee. The terms of the financing are fully disclosed in Item 10. If you pay the Initial License Fee in full within six months of signing the Franchise Agreement and the Business Note, HRI will offer you a Cash Discount of 6% of the Initial License Fee amount. Other than in the states of Hawaii and Alaska, HRI does not offer financing on the New Business Set equipment package portion of the Initial Fee.

2. At least one white cargo van is required for the operation of each Chem-Dry Business to transport equipment and cleaning solutions to a job site. If you already own a suitable insurable van, there may be no need to purchase or lease an additional van; however, the van must comply with standards of professionalism a consumer would expect when contracting for Chem-Dry services and meet the current Advertising Rules and Guidelines regarding type of van and proper markings.

3. The purchase or lease of real property is not necessary to the operation of a Chem-Dry Business. You may operate out of your own home (where zoning and other laws and regulations permit) as space requirements are minimal, provided your home is within the non-exclusive area designated in the Franchise Agreement ("Franchised Area"). Therefore, the purchase or lease of a separate business location is optional. If you have no storage facilities whatsoever, the rental of a unit the size of a single car garage, in which a telephone can be installed, inventory and equipment can be stored, and which is in accordance with all operational standards is adequate.

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