

1 CHRISTOPHER WIMMER (SBN 263275)
EMERGENT LEGAL
2 25 Taylor Street
San Francisco, CA 94102
3 p: 415/894-9284
f: 415/276-8929
4 e: cwimmer@emergentlegal.com

5 GREG DEMIRCHYAN (SBN 264953)
BASIS LAW
6 25 Taylor Street
San Francisco, CA 94102
7 p: 415/340-2121
f: 415/840-8171
8 e: greg@basislaw.com

9 Attorneys for Plaintiffs ESTHER ESTRADA,
ISAAC CARRAZCO, MARIA JACOBO, and all
10 others similarly situated

11

12

UNITED STATES DISTRICT COURT

13

NORTHERN DISTRICT OF CALIFORNIA

14

15 ESTHER ESTRADA, ISAAC CARRAZCO,
and MARIA JACOBO, individually and on
16 behalf of all others similarly situated,

17 Plaintiffs,

18 v.

19 CLEANNET USA, INC.; D&G
ENTERPRISES, INC., dba CLEANNET OF
20 THE BAY AREA; CLEANNET OF SAN
JOSE; CLEANNET OF SOUTHERN
21 CALIFORNIA, INC.; CLEANNET OF SAN
DIEGO; CLEANNET OF SACRAMENTO;
22 MARK SALEK; and MARK CRUM;

23 Defendants.

24

25

26

27

28

Case No. 3:14-cv-1785

CLASS ACTION COMPLAINT

DEMAND FOR JURY TRIAL

INTRODUCTION

1
2 1. CleanNet, a janitorial franchising company that operates through a sprawl of
3 corporate entities and fictitious business names throughout California and the United States, is
4 running a massive scam built on a series of illusions.

5 2. CleanNet sells the illusion of independent business ownership, supported by a
6 national enterprise, and the opportunity to grow that business through diligent labor. The reality is
7 that CleanNet decides which customers a franchise will get, the terms of a franchise’s customer
8 contracts, how much the franchise gets paid, and when and how the franchise will do the work—
9 making the franchisees actually employees of CleanNet, but without CleanNet meeting any of its
10 obligations as an employer.

11 3. CleanNet sells the illusion that it will provide its franchises with an initial set of
12 customer accounts, and may offer them additional accounts. The reality is that CleanNet commits
13 only to providing accounts for an initial 6-month period, pervasively fails to meet even this
14 meager commitment, and then systematically takes customer accounts away from existing
15 franchises in order to sell them to new franchises.

16 4. CleanNet sells the illusion that franchises develop relationships directly with their
17 customers. The reality is that CleanNet, not the franchises, contracts with the customers, and that
18 CleanNet does not share the terms of those contracts with its franchises—allowing CleanNet to
19 charge the customers far more than it actually passes through to the franchises doing the work, and
20 to assign (and re-assign) those customer accounts to whichever franchise it chooses.

21 5. CleanNet sells the illusion that the various fees and charges it imposes on its
22 franchises are necessary to cover the operating costs of the business. The reality is that these fees
23 and charges are disproportionate to any cost borne by CleanNet or benefit provided to the
24 franchises.

25 6. CleanNet sells the illusion that unhappy franchises have the opportunity to receive
26 a refund of their investment. The reality is that the refund and dispute resolution provisions of the
27 franchise agreement that franchises must sign deny them any effective remedy.

28

1 13. CleanNet USA and Area Operators, in turn, market CleanNet’s services to potential
2 customers, provide Local Franchises with their customer accounts, and set pricing and schedules
3 for those accounts. It is also CleanNet USA or the Area Operators that choose which customer
4 accounts to assign to which Local Franchises.

5 14. CleanNet as a whole has been phenomenally successful. According to
6 Entrepreneur magazine, between 2010 and 2012, CleanNet was one of the top ten fastest growing
7 franchisors in the nation; in 2013, CleanNet reported 2,857 franchises nationwide. As described
8 below, however, that growth has benefited CleanNet USA and the Area Operators, and come at
9 the expense of its Local Franchises.

10 **B. CLEANNET OFFERS FRANCHISES WITHOUT MAKING REQUIRED**
11 **DISCLOSURES AND BY MEANS OF UNTRUE AND MISLEADING**
12 **STATEMENTS AND OMISSIONS**

13 15. Franchising can provide lower- and middle-income families the opportunity to
14 open and operate their own businesses without a significant capital investment. However,
15 depending on the structure, past performance, and management of the enterprise, and the terms of
16 the franchise investment, franchises can be extremely risky—and potentially even deliberately
17 rigged—ventures.

18 16. Complaints of fraud and widespread abuse in the sale of franchises prompted
19 California to pass the Franchise Investment Law (the “Franchise Law”), a first-of-its-kind
20 legislation that focused on the need for registration and disclosure as a way to protect franchise
21 investors. The landmark statute requires sellers of a franchise to register the franchise before the
22 offer of sale within the state and to deliver disclosure documents to prospective buyers prior to the
23 execution of a franchise agreement. CleanNet has done neither.

24 17. First, CleanNet has failed to register with the state. CleanNet’s Area Operators are
25 by definition “franchisors,” and are thus required to register separately and individually with the
26 state. With only one exception, however, none of CleanNet’s five Area Operators has ever
27 registered with the state as a franchise seller (or obtained an exemption from registration). And,
28

1 with that same one exception, none of CleanNet's Area Operators has ever renewed its
2 registration.

3 18. One Area Operator, CleanNet of Southern California, has registered and renewed
4 with the state. However, its registration and disclosure documents are materially inadequate and
5 fail to comply with the Franchise Law guidelines; among other things, they do not provide the
6 Area Operator's financial statements, making it impossible for potential purchasers to understand
7 the health of the Area Operator or its ability to supply customer contracts.

8 19. Because it is unlawful to offer or sell any franchise in California unless the offer of
9 the franchise has been registered or exempted, every single franchise sale made by CleanNet and
10 its Area Operators from the time CleanNet entered California to the present has been unlawful.

11 20. Second, CleanNet has failed to provide required disclosures. The Franchise Law
12 requires that, at least 14 days before potential purchasers pay any money or sign any agreement,
13 franchisors must provide them with a detailed franchise disclosure document. This document
14 must include information about the structure of the franchisor's operations; its business
15 experience; past litigation; initial and subsequent fees; initial investment; any restrictions on the
16 sources of products and services used by franchises; the franchisee's and franchisor's obligations;
17 financing of the franchise purchase; the franchise territory; intellectual property claimed by the
18 franchisor; the extent of the franchisee's obligation to participate in the actual operation of the
19 franchise business; any restrictions on what the franchise may sell; renewal, termination, transfer,
20 and dispute resolution provisions; any public figures who promote the franchises; any earnings
21 claims made by the franchisor; a list of outlets selling franchises; financial statements; franchise
22 contracts; and an acknowledgement of receipt of the disclosure document.

23 21. Because four of CleanNet's five Area Operators has never registered any disclosure
24 documents with the state, and because CleanNet of Southern California's disclosure documents
25 are materially deficient, CleanNet cannot possibly comply with these disclosure obligations. And,
26 while CleanNet did provide some potential purchasers with documents purporting to be
27 disclosures, it systematically violated the 14-day waiting period by insisting that franchisees make
28

1 their purchase only a few days after receiving these documents. In at least some cases, CleanNet
2 went so far as to create backdated paperwork that made it seem as though it had complied with the
3 waiting period.

4 **C. CLEANNET SELLS MORE FRANCHISES THAN IT CAN SUPPORT AND**
5 **TERMINATES LOCAL FRANCHISES' CUSTOMER ACCOUNTS WITHOUT**
6 **CAUSE AND ON FALSE PRETENSES**

7 22. What purchasers think they are getting when they invest in a CleanNet Local
8 Franchise is a long-term partnership with an established brand of janitorial service, a set of
9 customer accounts, advertising and marketing by the enterprise, and an established back office to
10 handle customer invoicing, collections, and complaints. In reality, buying a Local Franchise does
11 not guarantee customer accounts or help in finding new accounts, and CleanNet's structure
12 encourages Area Operators to focus their attention on selling new Local Franchises rather than
13 supporting existing Local Franchises. CleanNet has taken full advantage of this structure by
14 selling more Local Franchises than it can support, and terminating Local Franchises' customer
15 accounts without cause and on false pretenses—so that it can sell even more Local Franchises to
16 unwitting purchasers.

17 23. The reasons for this situation are structural, and have to do with how CleanNet
18 USA sells franchises in California. As of 2003, when CleanNet last updated its disclosure
19 documents with the State, Area Operators paid to CleanNet USA an initial fee between \$100,000
20 and \$250,000, and then invested another \$118,000 to \$327,000 to open their doors.

21 24. Local Franchises, in turn, pay Area Operators an initial franchise fee of between
22 \$3,000 and \$83,000, based on the total amount of customer accounts they wish CleanNet to supply
23 to them. For example, to earn \$1,000 per month gross from customer accounts, a Local Franchise
24 pays the Area Operator a \$5,800 initial franchise fee; to earn \$4,000 per month gross, a \$16,500
25 initial franchise fee; to earn \$6,000 per month gross, a \$21,500 initial franchise fee.

26 25. In order just to recover their initial investment, then, Area Operators must sell a
27 significant number of Local Franchises. For example, an Area Operator who paid the \$250,000
28 initial franchise fee to CleanNet USA, and invested another \$325,000 to get up and running (as

1 CleanNet USA estimated back in 2003) would have to sell more than 100 of the \$4,000-per-month
2 Local Franchise packages just to recover its initial outlays—to say nothing of the ongoing costs of
3 operating the business such as rent, marketing, insurance, and other basic overhead. CleanNet
4 USA creates further pressure on Area Operators by collecting a 4% royalty fee on each sale of a
5 Local Franchise; by charging a minimum royalty fee regardless of the number of Local Franchises
6 sold; and by requiring Area Operators to meet minimum sales targets for Local Franchises, or risk
7 losing their Area Operator business and their substantial investment.

8 26. While Area Operators thus have ample incentive to sell as many Local Franchises
9 as possible, neither their contracts with CleanNet USA nor their franchise agreements with the
10 Local Franchises require that Area Operators actually have the janitorial customers to keep their
11 Local Franchises in business. To the contrary, Area Operators expressly contract with CleanNet
12 USA not to make any representations to potential purchasers of Local Franchises about earnings
13 or sales projections. To make matters worse, neither CleanNet USA (in its contracts with its Area
14 Operators) nor the Area Operators (in the franchise agreements with the Local Franchises) make
15 any promise to advertise or market CleanNet’s services to customers—meaning that Local
16 Franchises have absolutely no guarantee that anyone in the CleanNet enterprise is working to
17 promote their business. Local Franchises do not even receive an exclusive territory—meaning that
18 Area Operators can sell an unlimited number of Local Franchises in the same geographic area
19 without regard to how many customers they can supply.

20 27. Even the customer accounts that Local Franchises do receive are temporary and
21 tenuous. The franchise agreements promise Local Franchises only an initial customer base, not a
22 long-term supply of customers; and make no promise that Area Operators will replace customer
23 accounts terminated after 180 days, or to replace accounts terminated due to the Local Franchise’s
24 supposed “faulty workmanship,” “lack of trustworthiness,” “poor quality of work performed,” or
25 such other default. Because Area Operators, rather than Local Franchises, handle all customer
26 interactions (including invoicing, collecting, and fielding complaints), only Area Operators, not
27
28

1 Local Franchises, know for certain what a customer's complaints were—or even whether the
2 customer actually complained at all.

3 28. CleanNet has taken full advantage of its enterprise structure to sell empty promises
4 to purchasers of Local Franchises. After executing their franchise agreement and making their
5 initial investment, Local Franchises discover that CleanNet cannot provide them with their
6 guaranteed level of janitorial customer accounts. They also find that their customer accounts are
7 transferred to other CleanNet Local Franchises, sometimes without notice. When they inquire
8 about the reasons for the transfers, they are told that the customer has complained about their
9 workmanship or trustworthiness—even though the Local Franchises have never been told of a
10 problem, and even though they have adhered to CleanNet's cleaning standards. Once they have
11 passed the initial 180-day window, CleanNet often dispenses with any excuse at all; the customer
12 accounts are simply reassigned, and Local Franchises are told that the franchise agreement they
13 signed guaranteed them nothing more.

14 29. CleanNet's financial statements confirm this pattern. Over the past four years, even
15 as CleanNet has continued to sell new Local Franchises throughout the state—requiring it to
16 increase its customer base if it is to satisfy the needs of all those Franchises—its revenues from
17 janitorial services, when adjusted for inflation, have been stagnant.

18 30. In this way, responding to the structural incentives that CleanNet USA has devised,
19 Area Operators continually sell new Local Franchises, temporarily assign customer accounts to
20 those purchasers, and then reassign those accounts to still newer purchasers—each time around,
21 generating new revenues for themselves out of the same limited number of customer accounts,
22 without meeting their commitments to its Local Franchises.

23 **D. CLEANNET SKIMS CONTRACT PROFITS AND CHARGES LOCAL**
24 **FRANCHISES UNCONSCIONABLE FEES**

25 31. CleanNet also uses its control of the customer relationships to skim contract profits
26 that ought to go to Local Franchises and charge unconscionable fees that bear no reasonable
27

28

1 relationship to the actual costs of the services it provides or benefits it confers on its Local
2 Franchises.

3 32. Profit Skimming. CleanNet negotiates contract prices directly with its customers.
4 Local Franchises are not involved at all in the negotiations, and are not provided with copies of the
5 executed contracts, even though those customers theoretically “belong” to the Local Franchise.
6 Instead, the Local Franchises receive only “outlines” describing the work they are to do. As a
7 result, Local Franchises are completely ignorant of the terms of those contracts. CleanNet has
8 taken advantage of this structure by paying its Local Franchises significantly less than it is
9 charging its customers—in at least some cases, Local Franchises receive as little as a third of the
10 actual contract price.

11 33. Royalty Fee. CleanNet charges each Local Franchise a 3% monthly royalty fee on
12 all money earned by the Local Franchise—in essence, an ongoing fee on top of the initial
13 franchise fee just for doing business under CleanNet’s name.

14 34. Administrative Fee. CleanNet charges each Local Franchise a 10% monthly
15 administrative fee on all money earned by the Local Franchise. In theory, this fee covers the costs
16 of invoicing customers and managing customer relationships. In reality, this fee far outstrips the
17 actual administrative costs incurred by CleanNet or the costs its Local Franchises would incur to
18 handle these same tasks.

19 35. Royalty and Administrative Fees on Isolated Services. At times, a customer will
20 request that a service be performed only occasionally (for example, changing light bulbs, washing
21 windows, or shampooing carpets). On those services, CleanNet charges the Local Franchise a
22 royalty fee of 10% and an administrative fee of 10%.

23 36. The royalty and administrative fees alone thus total between 13% and 20% of the
24 Local Franchise’s gross monthly billings—meaning, for example, that a Local Franchise grossing
25 \$4,000 per month in customer accounts receives from CleanNet only between \$3,200 and \$3,480.

26 37. Finder’s Fee. As noted above, CleanNet commits to provide Local Franchises with
27 an initial customer base for 180 days, but does not commit to expand a Local Franchise’s accounts

28

1 beyond that initial base, and does not commit to ensure those initial accounts remain with the
2 Local Franchise beyond the 180-day window. When it elects to provide a Local Franchise with
3 additional accounts, though, it charges a staggering 2.75 times the monthly billings for that
4 customer as a finder's fee. For example, an additional account of \$500 per month would cost a
5 Local Franchise \$1,375 up front (along with the 13% to 20% in monthly royalty and
6 administrative fees), even though CleanNet would control the relationship with that customer and
7 could, as it has systematically done, reassign that customer to some other Local Franchise at any
8 time.

9 38. Miscellaneous Fees. On occasion, CleanNet also charges supply replacement fees,
10 technology fees, advertising fees, and key return fees for services it provides at its own discretion,
11 and at unreasonably high rates.

12 39. In the aggregate, this profit-skimming and these royalties and fees leave Local
13 Franchises with a mere fraction of the revenue they generate for CleanNet, making it impossible
14 for many of them to sustain their business and driving many of them to abandon their franchises
15 altogether after a short time—freeing up customer accounts for CleanNet to recycle once again.

16 **E. CLEANNET'S FRANCHISE AGREEMENT UNCONSCIONABLY LIMITS**
17 **LOCAL FRANCHISES' REMEDIES**

18 40. When a Local Franchise owner grows tired of CleanNet's failure to provide the
19 customer accounts it promised, CleanNet's reassignment of the Local Franchise's existing
20 customer accounts without cause, and CleanNet's continued imposition of unconscionably high
21 fees, he finds that the franchise agreement provides him with no effective remedy.

22 41. The most common and most significant breach by CleanNet is its failure to provide
23 the initial customer accounts that are the heart of the franchise agreement: A Local Franchise
24 purchases pays a \$16,500 initial franchise fee for a \$4,000-per-month package, for example, and
25 never receives \$4,000 per month in customer accounts. In this situation, the franchise agreement
26 sets several unconscionable barriers to recovery of any refund by the Local Franchise.

27

28

1 42. Narrow Refund Window. In language buried in dense, confusing paragraphs, the
2 franchise agreement creates a very narrow window within which the Local Franchise must
3 complain to CleanNet about its failure to meet its obligations. CleanNet has 120 days within
4 which to provide the initial set of customer accounts. If CleanNet fails to do so, the Local
5 Franchise has a 10-day window within which to serve a written notice by hand delivery, overnight
6 courier, or certified mail on the Area Operator and tender all equipment and chemicals received
7 from CleanNet. If the Local Franchise misses this narrow window, CleanNet receives an
8 additional 60 days to provide the customer accounts. If CleanNet fails a second time, the Local
9 Franchise has an additional 10-day window to serve notice and tender its materials. If the Local
10 Franchise misses this window again, CleanNet receives an additional 60 days. And so on.
11 Throughout this period, CleanNet will be collecting interest on any promissory note, as well as
12 royalty and administrative fees on any customer accounts it has provided. Nothing in the
13 franchise agreement purports to require CleanNet to even inform the Local Franchise that this
14 window exists, or that the Local Franchise is missing it.

15 43. Strict Limit on Refunds. The franchise agreement strictly limits the amount of
16 refunds CleanNet will provide. If an Area Operator offers even a single customer account of any
17 size anywhere within the territory, the Local Franchise may only recover a fraction of its initial
18 investment. Specifically, the Local Franchise is limited to 80% of the percentage of the account
19 shortfall, multiplied by the initial franchise fee, less the interest the Local Franchise has accrued
20 on its promissory note. For example, if a Local Franchise purchased the \$4,000-per-month
21 package and paid the entire \$16,500 initial franchise fee up front, and CleanNet offered a single
22 customer of \$500 per month for even a single month, the most that Local Franchise could recover
23 in refunds would be \$11,550.

24 44. Exclusion of Standard Contractual Remedies. The franchise agreement purports to
25 make its parsimonious refund provisions the exclusive remedy for CleanNet's failure to provide
26 the promised customer accounts—meaning that Local Franchises cannot sue to obtain the benefit
27 of their bargain. For example, if CleanNet offered only \$500 a month in customer accounts for a
28

1 full year to a Local Franchise that had purchased the \$4,000-per-month package, the franchise
2 agreement would purport to limit the Local Franchise to the \$11,550 refund mentioned above, and
3 would not permit it to recover the \$42,000 difference between the accounts it paid for and those it
4 received.

5 45. Mandatory Releases. If the Local Franchise wishes to modify its package (whether
6 by increasing or decreasing its monthly billings), the franchise agreement requires the Local
7 Franchise to sign a global release of all potential claims against CleanNet and all persons and
8 entities associated with it, even if those claims are unknown to the Local Franchise. By statute,
9 California generally prohibits such releases.

10 **F. CLEANNET'S FRANCHISE AGREEMENT CONTAINS UNCONSCIONABLE**
11 **DISPUTE RESOLUTION PROVISIONS**

12 46. The Local Franchise has no effective way to enforce even the minimal remedies the
13 franchise agreement permits it. In a section titled "Dispute Resolution" that spans four pages of
14 the contract, the franchise agreement imposes on the Local Franchise a complicated, onerous set of
15 procedures that are so expensive as to make it impossible for Local Franchises to recover their
16 potential refunds without paying far more in mediation and arbitration costs. These
17 unconscionable dispute resolution provisions are part and parcel of CleanNet's scam.

18 47. The franchise agreement requires that, in the event of a dispute, a Local Franchise
19 must first engage in direct negotiations with CleanNet. If those negotiations fail, then within 180
20 days (when this time begins to run is unclear), the Local Franchise must submit to mediation
21 before the American Arbitration Association ("AAA"), and pay the AAA filing fee. The Local
22 Franchise must then share equally with CleanNet the cost of the mediator's compensation and any
23 AAA administrative fees. Since hourly mediator fees rival or exceed that of attorneys, even a one-
24 day mediation will often cost a Local Franchise thousands of dollars. CleanNet can make this
25 significant outlay worthless simply by refusing to reach an agreement; mediation is not binding.

26 48. If the mediation is unsuccessful, the franchise agreement requires the Local
27 Franchise to proceed by arbitration before AAA—again paying the initial filing fee (which starts
28

1 at \$775), and splitting the arbitrator's hourly fees and any other administrative costs evenly.
2 Arbitrator rates are, again, equal to or greater than many attorney's fees. Moreover, AAA
3 arbitrations generally involve briefing, witnesses, and document discovery—each of which will
4 increase the amount of time required by the arbitrator, and so the cost. A Local Franchise's
5 portion of these fees will often approach or exceed \$10,000.

6 49. Thus, in order to get a binding, enforceable decision on a dispute with its Area
7 Operator, a Local Franchise would have to pay tens of thousands of dollars in mediation and
8 arbitration fees. And because the franchise agreement expressly provides for this distribution of
9 costs, an arbitrator would likely lack the authority to reapportion costs at the close of the
10 arbitration. This is to say nothing of the cost of the arbitration itself, such as depositions, service
11 of process, photocopies, and the like—which can, again, run into the several thousands of dollars.
12 A Local Franchise would thus spend substantially more getting a decision than it had spent on the
13 franchise itself.

14 50. These dispute resolution provisions are made yet more unconscionable by the
15 complexity of the franchise agreement, which makes representation by an attorney absolutely
16 essential for a Local Franchise to have any hope of prevailing in arbitration; the strictly limited
17 remedies available to Local Franchises under the terms of the franchise agreement, which would
18 force a Local Franchise to pay more in attorneys' fees than it could hope to obtain in relief; and
19 the absence of a prevailing party attorneys' fee provision in the body of the franchise agreement,
20 which would make it extremely difficult for a Local Franchise to retain an attorney on
21 contingency. By contrast, the promissory note that Local Franchises must sign in order to finance
22 their franchise purchase does contain an attorneys' fee provision, but only in favor of CleanNet,
23 and only if it seeks to enforce the terms of the promissory note. By statute, California prohibits
24 such unilateral fee provisions and renders them bilateral. And, because the promissory note is an
25 integrated part of the franchise agreement, Estrada, Carrasco, and Jacobo contend that the
26 promissory note's attorneys' fee provision applies to the franchise agreement as a whole.
27 However, how a court or arbitrator would rule on that issue is uncertain, and laypersons could not
28

1 be expected to be aware of these highly technical legal arguments. Instead, they would be
2 dissuaded from retaining an attorney, and dissuaded from pursuing relief.

3 51. The franchise agreement also purports to avoid litigation by class action, but not in
4 language that a layperson would understand. Instead, it first indicates that claims can be
5 consolidated, and then obscurely rejects class action treatment.

6 Consolidation of Claims. Where one or more other franchisees of Franchisor have
7 a dispute that is so nearly identical to a dispute involving Franchisee that
8 Franchisor, Franchisee, and the other franchisee or franchisees agree that it would
9 be prudent to have all of the disputes resolved in a single mediation or arbitration
10 proceeding, Franchisor, Franchisee, and the other franchisee or franchisees may
11 agree in writing to submit the consolidated disputes to mediation and/or arbitration
for determination by an arbitrator using the terms of this Article XXII. Such
agreement shall only apply to Franchisee and any franchisees directly involved in
the consolidated proceedings, and, under no circumstances, shall the arbitrator have
the power to determine the legal rights or obligations of any person or party not
directly participating in the proceedings.

12 This provision, like the rest of the dispute resolution provisions in the franchise agreement, is
13 incomprehensible to the layperson, intended to obfuscate its purpose, and designed to prevent
14 Local Franchises from obtaining relief for CleanNet's misconduct.

15 52. The end result of the franchise agreement's complicated, one-sided language is that
16 CleanNet sells purchasers of Local Franchises illusory promises of janitorial customer accounts
17 that are effectively rendered unenforceable by a series of onerous dispute resolution provisions.
18 The contract as a whole, and the dispute resolution provisions in particular, are offensive to basic
19 notions of justice, unconscionable, and unenforceable against the Local Franchises victimized by
20 CleanNet.

21 **G. IN SUM, CLEANNET'S MODUS OPERANDI BREACHES A RANGE OF**
22 **CONTRACTUAL, COMMON LAW, AND STATUTORY DUTIES**

23 53. CleanNet's modus operandi, implicit in how it runs its business, is to sell as many
24 Local Franchises as possible, as cost-effectively as possible, with callous disregard for the fate of
25 the individual franchisees who have bought into CleanNet's false promise of running a modest yet
26 viable business. This callous disregard translates into CleanNet's shirking of its contractual
27 obligations—in part, because CleanNet puts unconscionable limits on its franchisees' remedies.

28

1 54. CleanNet shirks not only its contractual obligations, but also its common law and
2 statutory obligations. CleanNet chooses to control nearly every aspect of the manner in which
3 Local Franchises provide their janitorial services. Indeed, the degree of control it chooses to
4 exercise far exceeds that which is necessary for CleanNet to protect its brand name or intellectual
5 property as a franchisor. For instance, CleanNet’s control extends to such areas as selecting which
6 customers an individual franchisee will work with; setting the schedule for the individual
7 franchisee’s work; setting the tasks the individual franchisee must accomplish; setting the precise
8 way in which the individual franchisee will accomplish those tasks; negotiating all customer
9 contracts on the individual franchisee’s behalf; setting the pricing for customer contracts provided
10 to the individual franchisee; handling all customer interactions on behalf of the individual
11 franchisee, including billing, collection, and fielding customer complaints; and reassigning
12 customer contracts to other individual franchisees at CleanNet’s discretion. This degree of control
13 demonstrates that CleanNet’s supposed “franchisees” and “independent contractors” are actually
14 employees under California law.

15 55. CleanNet’s choice to misclassify its employees as “franchisees” and “independent
16 contractors” is deliberate. It uses these misnomers to generate revenue both by selling Local
17 Franchises and by using the labor of its employees to supply janitorial services—all the while
18 eschewing its obligations to provide those employees with their basic entitlements, including their
19 right to a minimum wage, overtime, wage statements and accurate records, indemnification for
20 work-related expenses, only authorized deductions from their paychecks, and rest and meal
21 periods.

22 **H. ESTHER ESTRADA’S STORY**

23 56. Esther Estrada’s experience is typical. In July 2010, just a few days after being
24 provided with unregistered and insufficient disclosures, she purchased a Local Franchise at the
25 \$1,000-per-month level and agreed to pay the \$5,800 initial franchise fee. She paid \$3,200 down,
26 and signed a promissory note for the \$2,600 balance. CleanNet provided her with between \$1,033
27 and \$1,233 in accounts, from which it deducted its 10% management fee, 3% royalty fee, and
28

1 promissory note payment—resulting in a net average payment to her of about \$700 to \$975 a
2 month.

3 57. In September 2012, having finally paid off the promissory note, Estrada upgraded
4 her franchise to the \$4,000-per-month level. Once again, CleanNet provided only unregistered
5 and insufficient disclosures, and did not provide Estrada with the required 14 days to review them.
6 CleanNet forced her to sign the unenforceable waiver of claims and charged her an additional
7 \$10,700 initial franchise fee. She paid \$5,000 down, and signed a promissory note for the \$5,700
8 balance.

9 58. Once it had her additional investment, CleanNet never supplied Estrada anywhere
10 close to the contracted-for level of customer accounts. In October 2012, she received \$1,233 in
11 accounts; in November 2012, \$2,303; in December 2012, \$2,803. In January 2013, by the end of
12 which CleanNet was obligated to provide Estrada with \$4,000 in customer accounts, she received
13 only \$2,433. After that, Estrada's accounts steadily decreased, as CleanNet reported that
14 customers had complained about the quality of her work—although she had done nothing
15 differently than in the months during which they had been perfectly satisfied. On at least one
16 occasion, Estrada arrived at a job site to find another CleanNet Local Franchise already cleaning.
17 When she inquired with the Area Operator, she was simply told the account had been reassigned.

18 59. By October 2013, Estrada was averaging \$1,400 per month in customer accounts.
19 When she visited the Area Operator to complain about the situation, she was told—for the first
20 time—that CleanNet had no obligation to provide her with customer accounts beyond the initial
21 180-day period.

22 60. Even for the accounts that CleanNet did supply, Estrada did not have the control
23 over her work that would indicate she was an independent contractor or a franchisee. Instead,
24 CleanNet treated Estrada like an employee, telling her which customers she could work with,
25 negotiating the terms of the customer contracts on her behalf, setting the rate at which Estrada
26 would be paid, and determining what work Estrada was required to do and when and how she was
27 required to do it. At the same time, CleanNet failed to meet its obligations as an employer,

28

1 including by willfully misclassifying Estrada as something other than an employee; failing to pay
2 her the statutory minimum wage; failing to provide her with wage statements and records; failing
3 to indemnify her for her work-related expenses; making unlawful deductions from her paychecks;
4 forcing her to work overtime without due compensation; and denying her rest and meal periods.

5 61. Unable to understand the franchise agreement as a whole or the complex dispute
6 resolution provisions, she sought out an attorney in January 2014. Because Estrada's franchise
7 investment totals \$16,500, there is no plausible way for her to obtain a binding arbitration decision
8 without incurring more than that amount in mediation, arbitration, and attorneys' fees. Because of
9 the complexity of the agreement, Estrada is incapable of pursuing relief against CleanNet without
10 the aid of counsel.

11 **I. ISAAC CARRAZCO'S STORY**

12 62. Isaac Carrazco's experience was even worse than Estrada's, and shows how the
13 dispute resolution provisions of the Franchise Agreement effectively deny CleanNet franchisees a
14 remedy.

15 63. In September 2012, Carrazco visited CleanNet's offices and was given its
16 unregistered and insufficient disclosures. Just a few days later, a CleanNet representative called
17 him and told him to come back immediately to sign the franchise agreement and to bring a
18 cashier's check. On September 7, 2012, Carrazco purchased a CleanNet franchise at the \$4,000-
19 per-month level and agreed to pay the \$16,200 franchise fee. He paid \$10,700 down, and signed a
20 promissory note for the \$5,500 balance. CleanNet did not provide Carrazco with a single account
21 until February 2012, five months after he signed the franchise agreement, when it finally offered
22 him a single \$750 account. From this CleanNet deducted its 10% management fee, 3% royalty
23 fee, and monthly promissory note payment, resulting in a net payment to Carrazco of \$560.50 for
24 the month.

25 64. CleanNet offered that same meager account again in March 2012, and then
26 terminated it without cause at the end of the month. The next month, CleanNet provided Carrazco
27 with no accounts at all. When Carrazco visited the local Area Operator office and asked why he
28

1 had not received the accounts he had purchased, he was told to give CleanNet a little more time
2 find him some accounts. When the next month arrived and he again received no accounts,
3 Carrazco visited the local Area Operator office and inquired again. This time, he was told that he
4 would certainly receive the accounts he was promised or would be given his money back, but
5 would have to return later, because the individual in charge of the Area Operator was not in the
6 office. When Carrazco visited the Area Operator office a third time, the employee he had spoken
7 to before was no longer there, and he was told that he was simply out of luck.

8 65. Even for the one account CleanNet did provide, Carrazco did not have the control
9 over his work that would indicate he was an independent contractor or a franchisee. Instead,
10 CleanNet treated Carrazco like an employee, telling him which customer he could work with,
11 negotiating the terms of the customer contract on his behalf, setting the rate at which Carrazco
12 would be paid, and determining what work he was required to do and when and how he was
13 required to do it. At the same time, CleanNet failed to meet its obligations as an employer,
14 including by willfully misclassifying Carrazco as something other than an employee; failing to pay
15 him the statutory minimum wage; failing to provide him with wage statements and records; failing
16 to indemnify him for his work-related expenses; making unlawful deductions from his paychecks;
17 forcing him to work overtime without due compensation; and denying him rest and meal periods.

18 66. CleanNet's tactics in Carrazco's case were designed to take advantage of the
19 dispute resolution provisions of the franchise agreement, and demonstrate why those provisions
20 are part and parcel of the CleanNet scam. Because CleanNet had provided Carrazco with a single
21 account worth \$750, the franchise agreement limited his potential recovery to 60% of his initial
22 investment, less the interest on his promissory note. And, by repeatedly telling Carrazco to give
23 CleanNet some more time to meet its obligations, CleanNet pushed Carrazco beyond the ten-day
24 windows when the franchise agreement permitted him to request a refund at all.

25 67. Unable to understand the franchise agreement as a whole or the complex dispute
26 resolution provisions, Carrazco sought out an attorney in March 2014. Because Carrazco's
27 franchise investment totals \$16,200, there is no plausible way for him to obtain a binding
28

1 arbitration decision without incurring more than that amount in mediation, arbitration, and
2 attorneys' fees. Because of the complexity of the agreement, Carrazco is incapable of pursuing
3 relief against CleanNet without the aid of counsel.

4 **J. MARIA JACOBO'S STORY**

5 68. Maria Jacobo's story demonstrates how, even when CleanNet eventually meets its
6 obligation to provide customer accounts, its profit-skimming, unconscionable fees, and
7 manipulation of customer relationships guarantee Local Franchises' failure.

8 69. In mid-September 2012, Jacobo visited CleanNet of the Bay Area's office. She
9 was given CleanNet's unregistered and insufficient disclosures, and told to come back another
10 time. Just a few days later, a CleanNet representative called her and told her to come back in
11 immediately to sign the franchise agreement and to bring a cashier's check. On September 19,
12 2012, Jacobo returned to the CleanNet office and signed the franchise agreement. She purchased
13 the \$4,000-per-month franchise package, paying \$5,000 down and signing a promissory note for
14 the remaining \$5,000 of the initial franchise fee.

15 70. For the next two months, despite multiple inquiries from Jacobo, CleanNet did not
16 provide Jacobo with a single account. Finally, in November 2012, CleanNet provided Jacobo with
17 a single account at \$267 per month gross. In February 2013, CleanNet added two accounts
18 totaling \$715 per month gross; in May 2013, one more account at \$325 per month gross; in June
19 2013, another account at \$338 per month gross. Not until July 2013, nine months after Jacobo
20 made her purchase, when CleanNet supplied another account at \$2,500 per month gross, did the
21 company make good on its obligation to provide Jacobo with \$4,000 per month in client accounts.
22 From all these CleanNet deducted the 10% management fee, 3% royalty fee, and monthly
23 promissory note payments.

24 71. Jacobo also learned that CleanNet was charging its customers substantially more
25 than it was paying her to clean their buildings, even though CleanNet was supposedly negotiating
26 the customer contracts on her behalf and the customers ostensibly belonged to her. For example,
27 during one visit to the CleanNet offices, Jacobo's husband saw firsthand CleanNet documents

28

1 indicating that the facility Jacobo was cleaning at a rate of \$2,500 per month was being billed out
2 to the customer at \$7,500 per month. CleanNet was thus skimming \$5,000 per month off that
3 account alone—and then charging Jacobo royalty and management fees off the remaining amount
4 that she was paid.

5 72. For each account that CleanNet supplied, Jacobo did not have the control over her
6 work that would indicate she was an independent contractor or a franchisee. Instead, CleanNet
7 treated Jacobo like an employee, telling her which customers she could work with, negotiating the
8 terms of the customer contracts on her behalf, setting the rate at which Jacobo would be paid, and
9 determining what work she was required to do and when and how she was required to do it. At
10 the same time, CleanNet failed to meet its obligations as an employer, including by willfully
11 misclassifying Jacobo as something other than an employee; failing to pay her the statutory
12 minimum wage; failing to provide her with wage statements and records; failing to indemnify her
13 for her work-related expenses; making unlawful deductions from her paychecks; forcing her to
14 work overtime without due compensation; and denying her rest and meal periods. When Jacobo
15 raised concerns about the extent of work she was being required to do—which often caused her to
16 work more than 11 hours per day, six days per week—she was told that any of her accounts could
17 be reassigned by CleanNet at any time.

18 73. Unable to understand the franchise agreement as a whole or the complex dispute
19 resolution provisions, Jacobo sought out an attorney in March 2014. Because Jacobo's franchise
20 investment totals approximately \$10,000, there is no plausible way for her to obtain a binding
21 arbitration decision without incurring more than that amount in mediation, arbitration, and
22 attorneys' fees. Because of the complexity of the agreement, Jacobo is incapable of pursuing
23 relief against CleanNet without the aid of counsel.

24 **K. CLASS ALLEGATIONS**

25 74. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, Estrada, Carrasco, and
26 Jacobo bring this action on behalf of themselves and all other persons similarly situated.

27 ///

28

1 75. The proposed class (hereinafter the “Class”) that Estrada, Carrazco, and Jacobo
2 seek to represent is defined as follows:

3 All persons who have purchased or owned a CleanNet local unit franchise within
4 the State of California at any time during the period from four years prior to the
filing of the original complaint in this action through the date of final judgment.

5 76. This action may properly be maintained as a class action pursuant to Rule 23.

6 77. On information and belief, the Class comprises hundreds of persons (the “Class
7 Members”), making joinder of all Class Members impracticable. The exact size of the Class and
8 the identity of the Class Members are unknown to Estrada, Carrazco, and Jacobo, but are
9 ascertainable from CleanNet’s business records.

10 78. Questions of law and fact common to the Class predominate over questions
11 affecting only individual members, including, among others:

- 12 a. Whether CleanNet has failed to provide registered and sufficient franchise
13 disclosure documents and proposed franchise agreements 14 days prior to the
14 sale of CleanNet franchises;
- 15 b. Whether CleanNet has sold franchises by untrue and misleading statements and
16 omissions;
- 17 c. Whether CleanNet has breached the franchise agreements by failing to provide
18 Estrada, Carrazco, Jacobo, and the Class Members with janitorial customer
19 accounts totaling the minimum gross billings for the guaranteed six-month
20 period;
- 21 d. Whether CleanNet has unfairly interfered with Estrada, Carrazco, Jacobo, and
22 the Class Members’ right to receive the benefits of the franchise agreements by
23 failing to ensure that it was able to provide sufficient janitorial customer
24 accounts to all of its franchisees and terminating Estrada, Carrazco, Jacobo, and
25 the Class Members’ janitorial customer accounts without cause and on false
26 pretenses, breaching the implied covenant of good faith and fair dealing,

1 interfering with Estrada, Carrazco, Jacobo, and the Class Members' prospective
2 economic advantage, and unjustly enriching CleanNet;

3 e. Whether CleanNet has skimmed profits and charged its Local Franchises
4 unconscionable royalties and fees, unjustly enriching CleanNet and converting
5 Local Franchise funds;

6 f. Whether CleanNet's degree of control over its Local Franchises makes them
7 employees;

8 g. Whether CleanNet's failures to disclose, untrue and misleading statements and
9 omissions, contractual breaches, and other misconduct constitute unlawful,
10 unfair, and fraudulent business practices.

11 79. The claims asserted by Estrada, Carrazco, and Jacobo in this action are typical of
12 the claims of the Class; the claims all arise from the same course of conduct by CleanNet; and the
13 relief sought is common.

14 80. Estrada, Carrazco, and Jacobo are adequate representatives of the Class because
15 (a) their interests do not conflict with the interests of the individual members of the Class they
16 seek to represent; (b) they have retained experienced and competent class counsel; and (c) they
17 intend to prosecute this action vigorously. The interests of the Class Members will be fairly and
18 adequately protected by Estrada, Carrazco, and Jacobo and their counsel.

19 81. A class action is superior to other methods for the fair and efficient adjudication of
20 this controversy. Questions of law and fact common to the Class predominate over any questions
21 affecting only individual Class Members. Each Class Member has suffered injury and is entitled
22 to recover by reason of CleanNet's unlawful conduct. Class action treatment will allow those
23 similarly situated persons to litigate their claims in the manner that is most efficient and
24 economical for the parties and the judicial system. In addition, because the economic damages
25 suffered by the individual Class Members may be relatively modest compared to the expense and
26 burden of individual litigation (though significant to each of them), it would be impracticable for
27 Class Members to seek redress individually. Moreover, the prosecution of separate actions against
28

1 CleanNet by individual Class Members would create a risk of inconsistent judgments. Finally,
2 there will be no undue difficulty in the management of this litigation as a class action.

3 **L. PARTIES, JURISDICTION, AND VENUE**

4 82. Plaintiff Esther Estrada is a resident of Hayward, California.

5 83. Plaintiff Isaac Carrazco is a resident of Hayward, California.

6 84. Plaintiff Maria Jacobo is a resident of Concord, California.

7 85. On information and belief, defendant CleanNet USA, Inc. (“CleanNet USA”) is a
8 Virginia corporation with its principal place of business in Columbia, Maryland.

9 86. On information and belief, defendant D&G Enterprises, Inc., doing business as
10 CleanNet of the Bay Area, is a California corporation with its principal place of business in
11 Oakland, California.

12 87. On information and belief, defendant CleanNet of San Jose is a California
13 corporation operating under a fictitious business name with its principal place of business in San
14 Jose, California.

15 88. On information and belief, defendant CleanNet of Southern California, Inc. is a
16 California corporation with its principal place of business in Santa Fe Springs, California.

17 89. On information and belief, defendant CleanNet of San Diego is a California
18 corporation operating under a fictitious business name with its principal place of business in San
19 Diego, California.

20 90. On information and belief, defendant CleanNet of Sacramento is a California
21 corporation operating under a fictitious business name with its principal place of business in
22 Rancho Cordova, California.

23 91. On information and belief, defendant Mark Salek is a resident of Columbia,
24 Maryland.

25 92. On information and belief, defendant Mark Crum is a resident of Oakland,
26 California.

27

28

1 the sale of the franchise at least 14 days prior to the execution of the franchise agreements or
2 receipt of any consideration.

3 100. CleanNet's failures to disclose were willful, because CleanNet knowingly and
4 intentionally failed to make the required disclosures.

5 101. Estrada, Carrasco, Jacobo, and the Class Members have been harmed by
6 CleanNet's failures to disclose, because they would not have purchased CleanNet franchises,
7 would have purchased CleanNet franchises at lower billing levels, or would have taken steps to
8 otherwise protect themselves from CleanNet's overreaching had CleanNet made the required
9 disclosures and adhered to the required waiting period.

10 102. Salek and Crum directly or indirectly control other CleanNet entities liable for the
11 above violations; or are partners, principal executive officers, or directors of those entities; or
12 occupy a similar status or perform similar functions; or are employees who materially aided the
13 acts constituting the above violations. Salek and Crum had knowledge of (or reasonable grounds
14 to believe in) the facts by which the CleanNet entities are liable for these violations.

15 103. CleanNet USA directly or indirectly controls other CleanNet entities liable for the
16 above violations, and had knowledge of (or reasonable grounds to believe in) the facts by which
17 the CleanNet entities are liable for these violations.

18 **SECOND CAUSE OF ACTION**

19 **Selling Franchises by Untrue and Misleading Statements and Omissions**

20 **California Corporations Code Sections 31201, 31301 & 31302**

21 104. Paragraphs 1 through 103 are incorporated by reference as if fully set forth herein.

22 105. It is unlawful to offer or sell any franchise in California by means of any written or
23 oral communication (other than an application, notice or report filed with the Commissioner of the
24 Department of Business Oversight) that includes an untrue statement of material fact or omits to
25 state a material fact necessary in order to make the statements made, in the light of the
26 circumstances under which they were made, not misleading.

27

28

1 106. CleanNet made untrue and misleading oral statements to Estrada, Carrazco, Jacobo,
2 and the Class Members by, among other things, (a) stating that CleanNet would provide the agreed
3 minimum level of janitorial customer accounts, but failing to disclose that CleanNet lacked
4 sufficient customer accounts to meet its obligations to all its franchisees; (b) stating that CleanNet
5 would provide the agreed minimum level of janitorial customer accounts, but failing to disclose
6 that CleanNet had terminated its franchisees' customer accounts without cause and on false
7 pretenses; (c) describing CleanNet's operations, but failing to disclose that CleanNet had
8 repeatedly been sued by its franchisees in the past; and (d) failing to provide accurate and up-to-
9 date financial statements.

10 107. Estrada, Carrazco, Jacobo, and the Class Members were not aware of these untruths
11 and omissions.

12 108. CleanNet was aware of these untruths and omissions, and did not exercise
13 reasonable care in making these statements and omissions, because they concerned CleanNet's
14 operations.

15 109. Estrada, Carrazco, Jacobo, and the Class Members have been harmed by
16 CleanNet's failures to disclose, because they would not have purchased CleanNet franchises,
17 would have purchased CleanNet franchises at lower billing levels, or would have taken steps to
18 otherwise protect themselves from CleanNet's overreaching, had CleanNet not made these untrue
19 statements and omissions.

20 110. Salek and Crum directly or indirectly control other CleanNet entities liable for the
21 above violations; or are partners, principal executive officers, or directors of those entities; or
22 occupy a similar status or perform similar functions; or are employees who materially aided the
23 acts constituting the above violations. Salek and Crum had knowledge of (or reasonable grounds
24 to believe in) the facts by which the CleanNet entities are liable for these violations.

25 111. CleanNet USA directly or indirectly controls other CleanNet entities liable for the
26 above violations, and had knowledge of (or reasonable grounds to believe in) the facts by which
27 the CleanNet entities are liable for these violations.

28

1 **THIRD CAUSE OF ACTION**

2 **Breach of Contract**

3 112. Paragraphs 1 through 111 are incorporated by reference as if fully set forth herein.

4 113. Estrada, Carrazco, Jacobo, and each of the Class Members entered into the
5 franchise agreements, under which Estrada, Carrazco, Jacobo, and the Class Members agreed to
6 (among other things) pay franchise and other fees. In exchange, CleanNet agreed to provide
7 Estrada, Carrazco, Jacobo, and the Class Members with (among other things) janitorial customer
8 accounts totaling a minimum amount of gross billings per month for at least six months. A true
9 and correct copy of the franchise agreement is attached hereto as Exhibit A.

10 114. Estrada, Carrazco, Jacobo, and the Class Members performed their duties under the
11 franchise agreements. There were no other conditions to CleanNet's performance.

12 115. CleanNet breached the franchise agreements by failing to provide Estrada,
13 Carrazco, Jacobo, and the Class Members with janitorial customer accounts totaling the minimum
14 gross billings for the six-month period.

15 116. Estrada, Carrazco, Jacobo, and the Class Members were harmed by CleanNet's
16 breach, because Estrada, Carrazco, Jacobo, and the Class Members received less revenue than they
17 were promised.

18 **FOURTH CAUSE OF ACTION**

19 **Breach of the Covenant of Good Faith and Fair Dealing**

20 117. Paragraphs 1 through 116 are incorporated by reference as if fully set forth herein.

21 118. Estrada, Carrazco, Jacobo, and each of the Class Members entered into the
22 franchise agreements, under which Estrada, Carrazco, Jacobo, and the Class Members agreed to
23 (among other things) pay franchise and other fees. In exchange, CleanNet agreed to provide
24 Estrada, Carrazco, Jacobo, and the Class Members with (among other things) janitorial customer
25 accounts totaling a minimum amount of gross billings per month for at least six months.

26 119. Estrada, Carrazco, Jacobo, and the Class Members performed their duties under the
27 franchise agreements. There were no other conditions to CleanNet's performance.

28

1 127. CleanNet engaged in wrongful conduct by unjustly diminishing the economic
2 benefits Estrada, Carrazco, Jacobo, and the Class Members received from their customer accounts,
3 including by terminating accounts and skimming contract profits.

4 128. The relationships between Estrada, Carrazco, Jacobo, and the Class Members and
5 their customers were disrupted.

6 129. Estrada, Carrazco, Jacobo, and the Class Members were harmed by CleanNet's
7 conduct, because they received lower monthly revenues than they would have absent CleanNet's
8 interference.

9 130. CleanNet's wrongful conduct was a substantial factor in causing Estrada, Carrazco,
10 Jacobo, and the Class Members' harm.

11 **SIXTH CAUSE OF ACTION**

12 **Conversion**

13 131. Paragraphs 1 through 130 are incorporated by reference as if fully set forth herein.

14 132. Estrada, Carrazco, Jacobo, and the Class Members had a right to possess all the
15 funds paid out by CleanNet customers as compensation for Estrada, Carrazco, Jacobo, and the
16 Class Members' janitorial services aside from those necessary to pay the contracted royalties and
17 fees.

18 133. CleanNet intentionally and substantially interfered with Estrada, Carrazco, Jacobo,
19 and the Class Members' property by skimming contract profits and keeping those funds for itself.

20 134. Estrada, Carrazco, Jacobo, and the Class Members did not consent to CleanNet
21 keeping these funds for itself. Estrada, Carrazco, Jacobo, and the Class Members were harmed by
22 CleanNet's conduct, because they have been denied possession of their funds. CleanNet's conduct
23 was a substantial factor in causing this harm.

24 ///

25 ///

26 ///

27 ///

28

1 **SEVENTH CAUSE OF ACTION**

2 **Money Had and Received**

3 135. Paragraphs 1 through 134 are incorporated by reference as if fully set forth herein.

4 136. When CleanNet customers paid CleanNet for the cleaning services performed by
5 Estrada, Carrazco, Jacobo, and the Class Members, CleanNet received money intended for
6 Estrada, Carrazco, Jacobo, and the Class Members.

7 137. CleanNet has not paid Estrada, Carrazco, Jacobo, and the Class Members all of the
8 money intended for their benefit, because it has skimmed contract profits from their customer
9 accounts.

10 **EIGHTH CAUSE OF ACTION**

11 **Unjust Enrichment**

12 138. Paragraphs 1 through 137 are incorporated by reference as if fully set forth herein.

13 139. CleanNet received benefits from Estrada, Carrazco, Jacobo, and each of the Class
14 Members in the form of franchise and other fees. CleanNet was aware that Estrada, Carrazco,
15 Jacobo, and the Class Members were providing these benefits, because it requested them and
16 received them directly.

17 140. It would be unjust to permit CleanNet to retain the franchise and other fees paid by
18 Estrada, Carrazco, Jacobo, and the Class Members, because CleanNet failed to provide janitorial
19 customer accounts to Estrada, Carrazco, Jacobo, and the Class Members at the levels promised to
20 them or at levels sufficient to justify the fees paid by Estrada, Carrazco, Jacobo, and the Class
21 Members, and because CleanNet terminated Estrada, Carrazco, Jacobo, and the Class Members'
22 janitorial customer accounts without cause and on false pretenses.

23 ///

24 ///

25 ///

26 ///

27 ///

28

1 **NINTH CAUSE OF ACTION**

2 **Unlawful and Unfair Business Practices**

3 **California Business & Professions Code Section 17200**

4 141. Paragraphs 1 through 140 are incorporated by reference as if fully set forth herein.

5 142. Through the series of unlawful, unfair, and fraudulent acts described above,
6 CleanNet has systematically deprived Estrada, Carrazco, Jacobo, and the Class Members of
7 thousands of dollars each, without conferring on them the benefits promised in the franchise
8 agreements.

9 143. Estrada, Carrazco, Jacobo, and the Class Members have been harmed by
10 CleanNet's conduct, because they have received less revenue than they were promised, and less
11 revenue than they would have absent CleanNet's misconduct.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, plaintiffs Esther Estrada, Isaac Carrazco, and Maria Jacobo, individually
14 and on behalf of all others similarly situated, pray that:

- 15 A. CleanNet be ordered to return all funds received from Estrada, Carrazco, Jacobo,
16 and the Class Members, in an amount to be determined at trial, but estimated to be
in excess of \$5 million;
- 17 B. CleanNet be ordered to pay compensatory damages in an amount to be determined
18 at trial, but estimated to be in excess of \$5 million;
- 19 C. CleanNet be enjoined to provide Estrada, Carrazco, Jacobo, and all Class Members
20 with the minimum janitorial customer accounts guaranteed in the franchise
agreements in an amount to be determined at trial, but estimated to be in excess of
\$5 million;
- 21 D. CleanNet be enjoined from violating California Corporations Code sections 31119
22 and 31201;
- 23 E. CleanNet be enjoined from pursuing its unlawful, unfair, and fraudulent business
practices;
- 24 F. Estrada, Carrazco, Jacobo, and the Class Members recover their reasonable
25 attorneys' fees;
- 26 G. Estrada, Carrazco, Jacobo, and the Class Members recover their costs of court;
- 27 H. Estrada, Carrazco, Jacobo, and the Class Members recover pre- and post-judgment
28 interest; and

I. Estrada, Carrazco, Jacobo, and the Class Members be awarded such further relief as this Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs Esther Estrada, Isaac Carrazco, and Maria Jacobo, on behalf of themselves and the Class Members, demand a jury trial on all issues triable to a jury in this matter.

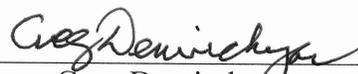
Dated: April 17, 2014

Respectfully submitted,

EMERGENT LEGAL

By: 
Christopher Wimmer

BASIS LAW

By: 
Greg Demirchyan

Attorneys for Plaintiffs ESTHER ESTRADA, ISAAC CARRAZCO, MARIA JACOBO, and all others similarly situated

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT A
FRANCHISE AGREEMENT

TABLE OF CONTENTS

Section	Page
I. GRANT OF FRANCHISE	2
II. TERM AND RENEWAL	5
III. DUTIES OF FRANCHISOR	6
IV. FEES	8
V. DUTIES OF FRANCHISEE	12
VI. PROPRIETARY MARKS	15
VII. CONFIDENTIAL MANUAL	16
VIII. CONFIDENTIAL INFORMATION	17
IX. ACCOUNTING, RECORDS, REPORTS, INSPECTIONS AND AUDITS	18
X. ADVERTISING	19
XI. INSURANCE	19
XII. TRANSFER OF INTEREST; OPERATION BY FRANCHISOR	20
XIII. DEFAULT AND TERMINATION	25
XIV. OBLIGATIONS ON TERMINATION	29
XV. COVENANTS	30
XVI. CHANGES AND MODIFICATIONS	31
XVII. TAXES AND INDEBTEDNESS	32
XVIII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION	33
XIX. APPROVALS AND WAIVERS	35
XX. RELEASE OF PRIOR CLAIMS	35
XXI. DISCLOSURE STATEMENT AND DISCLAIMER	35

TABLE OF CONTENTS

Section	Page
XXII. DISPUTE RESOLUTION	37
XXIII. NOTICES	40
XXIV. ADMINISTRATIVE PROVISIONS	40
XXV. ENTIRE AGREEMENT	41

ATTACHMENTS

A	Initial Franchise Fee Price Schedule
B	Promissory Note and Guaranty
C	Package Equipment Lists
D	Equipment Lease Agreement
E	Legal Entity Information Sheet & Guaranty Agreement
F	Confidentiality Agreement (for employees of franchisee)
G	Confidentiality Agreement (to view Manuals)
H	Transfer of Service Authorization
I	Franchise Package Modification Addendum
J	Assignment of Franchise Agreement

FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this 17th day of July, 2010 by and between D&G ENTERPRISES, INC., a California corporation doing business as CLEANNET OF THE BAY AREA, a California corporation ("Franchisor") and Esther Estrada ("Franchisee"), doing business as a:

- Corporation
- Limited Liability Company
- Partnership, or
- Sole Proprietorship

WHEREAS, Franchisor, as the result of significant expenditures of time, skill, effort and money, has developed and owns a system ("System") relating to the establishment, development and operation of a CleanNet commercial cleaning business specializing in janitorial services, building maintenance, and related services ("Franchised Business");

WHEREAS, the distinguishing characteristics of the System include, without limitation, unique methods, technical assistance and training in the operation, management and promotion of the Franchised Business; specifications for cleaning equipment and supplies; specialized commercial cleaning services, methods of operations control; centralized billing and collections services, bookkeeping and accounting methods; and marketing and promotional programs, all of which may be periodically changed, improved and further developed by Franchisor;

WHEREAS, the System is identified by means of certain trade names, service marks, trade marks, logos, emblems and indicia of origin, including but not limited to the service mark CleanNet and logo, and such other trade names, service marks, and trademarks as are now, and may hereafter be designated by Franchisor for use in connection with the System ("Proprietary Marks") which Proprietary Marks are owned by Franchisor which has the exclusive right and license to sublicense and police the use of such Proprietary Marks;

WHEREAS, Franchisor continues to develop, expand, use, control and add to the Proprietary Marks and System for the benefit and exclusive use of itself and its franchisees in order to identify for the public the source of the services marketed thereunder and to represent the System's high standards of quality and service;

WHEREAS, Franchisee desires to operate a Franchised Business under the System and the Proprietary Marks and obtain a license from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith; and

WHEREAS, Franchisee hereby acknowledges that it has read this Agreement and Franchisor's disclosure document, and that it has no knowledge of any representations about the Franchised Business or about Franchisor or its franchising program or policies made by Franchisor or by its officers, directors, shareholders, employees or agents which are contrary to the statements in Franchisor's disclosure document or to the terms of this Agreement, and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the

uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the Proprietary Marks; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's uniformly high standards of quality and service and the necessity of operating the Franchise Business granted hereunder in strict conformity with Franchisor's quality control standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, hereby mutually agree as follows:

I. GRANT OF FRANCHISE

A. **Grant of Franchise.** Franchisor hereby grants to Franchisee a nonexclusive and personal license, right and authority to operate a Franchised Business only in the nonexclusive Designated Territory described in Section I.C of this Agreement. Franchisee hereby accepts such license according to the terms and conditions of this Agreement and agrees that Franchisee will perform all of its obligations in strict conformity with Franchisor's quality control standards and specifications that are a material part of the System, which may be periodically changed, improved and further developed:

B. Grant of Franchise Package.

1. **Franchise Package.** In accordance with the CleanNet franchise packages listed in the *Initial Franchise Fee Price Schedule* in Attachment A, Franchisee has selected the following franchise package:

Package Designation:

P-12

Initial Franchise Fee:

\$ 5,800

Gross Billings Per Month:

\$ 1,000

After Franchisee completes initial training program as specified in Sections III.A.5 and V.D, Franchisor will provide accounts within the following number of days (indicate selection with a check mark in the blank next to the selection, and cross out the unchosen option):

120 days
 _____ days (an additional 30 days for each \$1,000 in monthly Gross Billings over \$3,000)

2. **Method of Payment.** On execution of this Agreement, Franchisee will pay the initial franchise fee to Franchisor in the following manner (indicate selection with a check mark in the blank next to the selection and cross out the unchosen option):

<p>_____ In Full</p>	<p>Franchisee will receive a 10% discount on the initial franchise fee stated in Section I.B.1, and will pay to Franchisor a total amount of \$_____.</p>
<p> _____ In Installments (Franchisor Financing)</p>	<p>Franchisee must pay \$ <u>3,200</u> to Franchisor and sign a promissory note and guaranty of payment in the form of Attachment B for the \$ <u>2,600</u> balance, that will be paid in equal monthly installments of \$ <u>118.⁷⁵</u> over a period of <u>24</u> months at an interest rate of 9%.</p>

3. Initial Customer Accounts. Within the time period stated in Section I.B.1, Franchisor will provide to Franchisee janitorial customer accounts with the specified amount of Gross Billings per month as an initial customer base for Franchisee's business. Franchisee understands that the janitorial customer accounts that Franchisor will provide to Franchisee are intended to serve as an initial customer base for Franchisee and that the parties expect and anticipate that Franchisee will develop additional customer accounts to grow and expand its business. There shall be no limitation or constraints whatsoever placed on Franchisor with regard to respective sizes, revenues, location, type, or number of janitorial customer accounts that Franchisor may provide to Franchisee in order to satisfy the total amount of monthly Gross Billings Franchisor has agreed to provide to Franchisee. Once Franchisor provides Franchisee with the required janitorial customer accounts, Franchisor shall be deemed to have fulfilled its obligations.

4. Replacement Customer Accounts. All customer accounts provided to Franchisee by Franchisor shall count toward the agreed monthly Gross Billings to be provided, regardless of whether such accounts are rejected, not accepted, or if service is discontinued by Franchisee, except as follow: If a customer terminates the services of Franchisee within 180 days from the starting date of the customer's contract on grounds other than Franchisee's alleged default, Franchisor shall replace said account with another account of equal or greater monthly Gross Billings. Accounts terminated after 180 days from the start date of the customer's account and accounts terminated due to Franchisee's faulty workmanship, lack of trustworthiness, poor quality of work performed or such other default will not be replaced and said account shall continue to count toward Franchisor's obligation provision of accounts obligation under the specific franchise package purchased by Franchisee.

5. Refundability. The initial franchise fee is fully earned on receipt by Franchisor and is non-refundable except as follows. The parties hereto expressly agree that it would be difficult to determine the consequential damages, if any, associated with Franchisor's failure to fill the account package, because of the many factors that determine the profitability of an individual cleaning account, including, but not limited to, the efficiency and productivity of Franchisee, the salaries that Franchisee pays its personnel, the cost of supplies, materials and equipment that would be used on the account and the terms of the contract for the account. In light of this difficulty, the parties agree that this provision for refund of all or a portion of the initial franchise fee is the exclusive remedy if Franchisor does not meet its obligation to fulfill

Franchisee's account package as required by this Agreement; that any refund due to Franchisee for Franchisor's failure to fill the account package shall be in the nature of liquidated damages, and that Franchisor shall not be liable for any other claims of consequential damages, lost profit, losses incurred in connection with the franchise, or any other damages that Franchisee may claim to have suffered.

(a) If, on expiration of the specified time period, Franchisor has failed to provide *any* customer accounts to Franchisee, then Franchisee may, within 10 days after expiration of the specified time period, give notice to Franchisor in accordance with Section XX and tender to Franchisor return of all start-up equipment and chemicals. Within 30 days after Franchisor's receipt of Franchisee's notice, Franchisor will terminate this Agreement and cancel any promissory notes. Franchisor will also pay to Franchisee a refund of all amounts paid to Franchisor if Franchisee returns all start-up equipment and chemicals in original unused condition. If Franchisee cannot return all equipment or chemicals in original unused condition, Franchisor may deduct the costs of used equipment or chemicals from the refund.

(b) If, on expiration of the specified time period, Franchisor has provided at least one customer account to Franchisee but has failed to provide all of the accounts required by the franchise package selected, then Franchisee may, within 10 days after expiration of the specified time period, give notice to Franchisor in accordance with Section XX. Within 30 days after Franchisor's receipt of Franchisee's notice, Franchisor shall pay to Franchisee an amount equal to (1) the percentage of total accounts lacking, multiplied by (2) the initial franchise fee, multiplied by (3) 80%. (For example, if Franchisor has failed to provide 25% of the accounts, Franchisor will pay to Franchisee an amount equal to 80% of 25% of the initial franchise fee). Any refund will be reduced by any amounts financed by Franchisor, including accrued unpaid interest.

(c) If Franchisee may request a refund under Sections 1.B.5(a) or (b), but Franchisee has not given notice to Franchisor, then the time period during which Franchisor may furnish Franchisee with all of the requisite accounts shall be automatically extended for 60 days, and Franchisor shall continue its efforts to furnish Franchisee with the agreed customer accounts. If Franchisor has not provided all of the requisite cleaning accounts at the end of the additional 60-day period, within 10 days after expiration of the 60-day period, Franchisee may give notice to Franchisor in accordance with Section XX. If Franchisee does not give notice to Franchisor of its request for refund, then the time period shall be automatically extended for additional 60-day periods until Franchisor has provided all of the requisite accounts or until Franchisee gives notice to Franchisor of its request for a refund within 10 days after the expiration of any such extended period.

(d) On payment of any refund, Franchisor's obligation to provide additional initial accounts shall be considered fulfilled, and any further obligation in this regard shall be extinguished. The refund is a one-time reduction in the amount of the initial franchise fee. There is no refund or other compensation for reduced monthly billing on an ongoing basis, lost profits, or any other amounts whatsoever.

6. Package Modification. If Franchisee, at any time after signing this Agreement, wishes to modify the franchise package, Franchisee may notify Franchisor. After reaching an agreement as to the package modification, the parties will enter into an agreement to

modify the franchise package in substantially the form of the Franchise Package Modification Addendum, attached to this Agreement as Attachment I.

C. Nonexclusive Designated Territory. Subject to the terms of this Agreement, Franchisor hereby grants to Franchisee the non-exclusive right and license to operate the Franchised Business within the jurisdictional boundaries of Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Santa Cruz and Sonoma Counties, California (the "Designated Territory"). Due to the special nature of the Franchised Business, Franchisee is not granted an exclusive territory. Franchisee is required to use the System and Proprietary Marks solely within and throughout the Designated Territory. Franchisee is encouraged to develop and expand the Franchised Business within and throughout the Designated Territory.

D. Reservation of Rights. Franchisor may establish company-owned units, or license other franchisees to establish Franchised Businesses, at any site Franchisor deems appropriate. Franchisor reserves the right to offer, grant and support franchises in similar and other lines of business. Franchisor makes no representation or warranty to Franchisee that it will be granted any right to participate in any other franchises.

II. TERM AND RENEWAL

A. Initial Term. Except as otherwise provided in this Agreement, the term of this Agreement shall be 10 years, commencing on the date of execution of this Agreement.

B. Renewal Terms. Franchisee may renew the license and continue the Franchised Business for successive 10-year periods, subject to the following conditions that must be met before renewal, unless and to the extent otherwise waived by Franchisor:

1. Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its subsidiaries, affiliates and suppliers; Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries, affiliates and suppliers and shall have timely met those obligations throughout the term of this Agreement; Franchisee's operation and management of the Franchised Business shall be in full compliance with the System; and Franchisee shall maintain and be in good standing with all of its necessary and applicable licenses and permits;

2. Franchisee shall give Franchisor notice of its intent to renew the license not less than six months before the end of the term of this Agreement;

3. After receipt of notice from Franchisee, but at least five months before the expiration of the current term of this Agreement, Franchisor shall inspect the Franchised Business and give notice to Franchisee of all required modifications to the nature and quality of the services offered by the Franchised Business, Franchisee's advertising, marketing and promotional programs, and the maintenance, refurbishing, equipment upgrade and equipment replacement necessary to comply with Franchisor's then-current standards and specifications. Franchisee shall complete, to Franchisor's satisfaction, all such required modifications, as well as adopt and implement any new methods, programs, modifications, techniques or operational

systems required by Franchisor's notice no later than two months before expiration of the current term of this Agreement;

4. Franchisee and its approved manager shall attend Franchisor's then current qualification and training programs at Franchisee's expense;

5. Franchisee must execute Franchisor's then-current form of franchise agreement, which shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement; and

6. Franchisee, its shareholders, directors and officers shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees.

If any of the conditions to renewal have not been met, no later than two months before the expiration of the initial term of this Agreement, Franchisor shall have no obligation to renew this Agreement and shall provide to Franchisee at least 45 days prior written notice of its intent not to renew this Agreement, which notice shall set forth the reasons for such refusal to renew.

III. DUTIES OF FRANCHISOR

A. **Pre-Opening Obligations.** Before the opening of the Franchised Business, Franchisor's duties are as follows:

1. to designate the Designated Territory in which Franchisee will operate the Franchised Business in accordance with Section I.C of this Agreement. Franchisor's designation of the Designated Territory as being suitable for a Franchised Business is not to be deemed a representation or warranty as to the likelihood of success;

2. to provide Franchisee with guidelines and specifications for the operation and management of the Franchised Business, which guidelines and specifications Franchisee must adopt;

3. to provide the equipment and products package, unless Franchisee has chosen the P-6XE franchise package;

4. to loan to Franchisee a single copy of Franchisor's Confidential Operations Manual ("Manual") as periodically amended, which shall include standards and specifications for procedures, equipment, supplies, management and operation;

5. to provide an initial training program. Within 10 to 20 business days after execution of this Agreement, Franchisor shall commence training Franchisee at Franchisor's facility or a location of Franchisor's choice. The initial training program will last up to three days, depending on Franchisee's experience, and will consist of practical on-site activities explaining the methods and procedures involved in the commercial cleaning business, as well as classroom training utilizing Franchisor's training curriculum and video/DVD series. As much as possible within its discretion, Franchisor will attempt to adapt its training program to meet the needs of Franchisee depending on Franchisee's level of prior training and experience. Franchisor

will also provide Franchisee with home study materials designed to further Franchisee's understanding of chemicals and procedures employed to operate the Franchised Business; and

6. to assist Franchisee, at Franchisor's discretion and subject to the availability of Franchisor's personnel, with the location of an insurance agency from which to obtain the insurance required under Section XI of this Agreement.

B. Post-Opening Obligations. The obligations of Franchisor after the opening of the Franchised Business are as follows:

1. to furnish Franchisee with janitorial customer accounts amounting to the applicable Gross Billings per month under the franchise package that Franchisee selects within the time period specified in Section 1.B.1 of this Agreement.

2. if a customer account is terminated for any reason other than Franchisee's alleged default within 180 days from the starting date of the account, to replace the account with another account of equal or greater monthly billings. Customer accounts terminated after 180 days will not be replaced (see also Section 1.B.4 of this Agreement);

3. to provide invoicing, billing and collection services. Each month, Franchisor will invoice Franchisee's customer(s) for the cost of services rendered by Franchisee plus applicable sales taxes (which Franchisor will remit on Franchisee's behalf to the appropriate taxing authorities). These monies will be collected by an escrow account ("Escrow Account") established by Franchisor. The Escrow Account will disburse the collected amounts to Franchisee on a monthly basis, after deduction of applicable sales taxes (for remittance to the appropriate taxing authorities), Franchisor's Administrative fee, the Royalty Fee and after deduction of any payments due to Franchisor from Franchisee for amounts financed, for any advances made by Franchisor to Franchisee, for any transfer fees, for any products or equipment purchased or leased by Franchisee through Franchisor, for any insurance purchased by Franchisee through Franchisor, any Advertising Fee contributions and for any Finder's Fees charged or financed by Franchisor. The Escrow Account will be administered by an escrow agent appointed by Franchisor, who will hold escrowed funds for the benefit of franchisees until their disbursement. Franchisor's invoicing and billing services will also be provided for those accounts generated by Franchisee through Franchisee's own solicitation and efforts;

4. to provide such general advisory assistance deemed helpful to Franchisee by Franchisor in the ongoing operation of the Franchised Business. A representative of Franchisor will ordinarily be available at each of Franchisor's offices to answer routine questions or to assist with problems during normal business hours;

5. coordinate and conduct periodic training programs on commercial-cleaning business operations for its network of franchisees as Franchisor deems necessary in its sole discretion;

6. to provide Franchisee with updates, revisions and amendments to the Manual;

7. to continue its efforts to establish and maintain high standards for franchisees, to promote quality, customer satisfaction and service, and to that end will on a

periodic basis, conduct, as Franchisor deems advisable, quality control inspections as to the results, only, of Franchisee's performance at locations under Franchisee's care;

8. at Franchisor's sole discretion, to advance to Franchisee, through the Escrow Account, amounts billed to but not yet collected from Franchisee's customers on the terms and conditions specified in Section IV.B of this Agreement;

9. to make its best effort to provide Franchisee with pricing expertise, sample proposals and references in order to facilitate growth of Franchisee's commercial-cleaning business on an ongoing basis and in order to help Franchisee effectively compete with local and national companies in their regional markets;

10. to endeavor to negotiate, using its bargaining power, more competitive rates from cleaning supply companies; and

11. at Franchisor's sole discretion, to provide a web site on the Internet or any comparable electronic network of computers to advertise and promote the franchise system, and services and products marketed by the franchise system, and/or provide intranet access. Franchisor may permit Franchisee to maintain a standard listing on its web site, or may allow Franchisee to establish and maintain a web page that may be subject to an additional fee. Any representations and warranties of any kind whatsoever, express or implied, regarding Franchisor's web site, including representations and warranties as to the operation, functionality, lack of interruption or resources, are expressly excluded. Without limiting the foregoing, Franchisor disclaims any implied warranties of merchantability and fitness for a particular purpose as to its web site. As to any malfunctioning of its web site, Franchisor will not be liable to Franchisee for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if Franchisee has advised Franchisor that such damages are possible as a result of any breach of warranty or malfunction.

C. **Obligations Personal to Franchisee.** All of the obligations of Franchisor hereunder are to Franchisee, and no other party is entitled to rely on, enforce or obtain relief for breach of such obligations either directly or by subrogation.

D. **Certificate of Performance.** After Franchisor performs its pre-opening obligations as described in Section III.A of this Agreement, Franchisor may ask Franchisee to execute a certification, in a form that Franchisor reasonably requests, confirming that Franchisor has satisfactorily performed its pre-opening obligations (a "Certificate of Performance.") If Franchisor makes the request, within three (3) days thereafter, Franchisee agrees to sign and deliver the Certificate of Performance to Franchisor or agrees to provide Franchisor with written notice describing the obligations that Franchisor has not satisfactorily performed. Franchisor agrees to notify Franchisee when it has completed any obligations identified in the notice, and Franchisee agrees to sign and deliver the Certificate of Performance within three (3) days thereafter.

IV. **FEES**

A. **Payments to Franchisor.** In consideration of the right and license to operate the Franchised Business granted herein as well as Franchisor's solicitation of janitorial customer

accounts for Franchisee, during the term of this Agreement, Franchisee shall pay to Franchisor the following fees, all in U.S. Dollars:

1. **Initial Franchise Fee.** The total initial franchise fee payable to Franchisor by Franchisee according to the CleanNet franchise package selected by Franchisee is set forth in Section I.B.1 of this Agreement. The initial franchise fee is deemed fully earned by Franchisor on receipt and is non-refundable except as specified in Section I.B.5 of this Agreement.

2. **Royalty Fee.** Franchisee shall pay to Franchisor a continuing non-refundable monthly royalty fee ("Royalty Fee") equal to 3% of monthly Gross Billings (defined in Section IV.C of this Agreement). The escrow agent for the Escrow Account receiving customer payments will deduct and disburse to Franchisor the Royalty Fee in accordance with the payment procedures set forth in Section IV.C of this Agreement.

3. **Administrative Fee.** Franchisee shall pay to Franchisor a continuing non-refundable administrative fee ("Administrative fee") equal to 10% of monthly Gross Billings. The escrow agent for the Escrow Account receiving customer payments will deduct and disburse to Franchisor the Administrative fee in accordance with the payment procedures set forth in Section IV.C of this Agreement.

4. **Finder's Fee.** Franchisor may, at its discretion, offer additional customers to Franchisee beyond the initial package purchased. Franchisee has the option of accepting or refusing any offer of additional customers. If Franchisee accepts such additional customers, Franchisee agrees to pay Franchisor a Finder's Fee of two and three-quarters times the initial monthly Gross Billings of each such additional customer. The Finder's Fee must be paid to Franchisor or may be financed through Franchisor before Franchisee may begin work on the new accounts. If Franchisee elects to finance the Finder's Fee, and if Franchisor agrees at its sole option to finance the Finder's Fee, Franchisee will pay Franchisor a down payment equal to 50% of the Finder's Fee at the time each additional customer is accepted, and the balance will be financed by Franchisor for one year at 9% interest per annum, beginning with the first month services are performed for each new customer. The escrow agent for the Escrow Account receiving customer payments will deduct and disburse to Franchisor the monthly payment owed with respect to the financed portion of any Finder's Fee from the monthly billings of Franchisee's customer accounts. Royalty Fees, Administrative fees, and all other applicable fees will be assessed and are payable by Franchisee to Franchisor on all such additional customers in the same manner as if the customer had been provided as part of the initial franchise package. If a terminating customer was an additional account provided to Franchisee by Franchisor (beyond the initial franchise package), for which a Finder's Fee was payable to Franchisor, the termination of such customer will not relieve Franchisee's obligation to complete all Finder's Fee payments to Franchisor in full (whether or not financed).

5. **Royalty Fee and Administrative fee on Isolated or Non-Recurring Services.** Franchisee agrees to pay Franchisor a 10% Royalty Fee as well as a 10% Administrative fee on all Gross Billings generated from each isolated or non-recurring service performed, whether generated by Franchisee or Franchisor. Franchisor has the sole right to determine which contracts or services are isolated or nonrecurring; however, such services are generally those requested by the customer to be performed on an irregular basis, and are not included in the customer's standard Janitorial Service Agreement, and charges for such services

are not regularly included in the customer's monthly billing. Such services generally include, but are not limited to, isolated requests for window washing, carpet shampooing, upholstery cleaning, and a wide variety of similar services. For all such services, regardless of whether they are solicited or obtained by Franchisee or Franchisor, Franchisee agrees to provide all equipment and chemicals necessary.

6. **Supply Replacement Fee.** If Franchisee has neglected to replace supplies at one or more of its customer locations and Franchisor replaces the supplies in accordance with Section V.R of this Agreement, Franchisee must immediately reimburse Franchisor in full for Franchisor's costs in connection with the supply replenishment. The escrow agent for the Escrow Account receiving customer payments will deduct and disburse to Franchisor any amounts owed by Franchisee under this Section IV.A.6 from amounts received from Franchisee's janitorial customers.

7. **Technology Fees.** If Franchisor establishes a web site, and allows Franchisee to establish and maintain a web page through its web site, Franchisor may charge Franchisee a reasonable fee for any customized features, which fees will be periodically specified in the Manual or otherwise in writing. If Franchisor has proprietary, customized or other required software, Franchisee must pay Franchisor, its affiliate, or any designated supplier, any required initial or recurring periodic fee for initial or continued licensing, support or maintenance that may be periodically specified in our Manual or otherwise in writing.

8. **Advertising Fee.** If Franchisor, in its sole discretion, establishes a system-wide advertising fund, Franchisee shall pay to Franchisor, as a continuing non-refundable advertising contribution, an amount Franchisor periodically determines, that will not exceed 1% of monthly Gross Billings per month ("Advertising Fee"). The Advertising Fee will commence when Franchisor notifies Franchisee in writing.

9. **Key Return Fee.** If Franchisee fails to promptly return to a customer its keys, security passes or codes, whether the request is due to cancellation of a service contract or termination or expiration of this Agreement or any other reason as specified in Section V.O of this Agreement, and Franchisor is asked to re-key the customer's facility due to Franchisee's failure, then Franchisee must pay to Franchisor, on demand, the actual cost incurred by Franchisor, plus an administrative charge of \$250.

B. **Definition of Gross Billings.** "Gross Billings" is defined as all sales generated through the Franchised Business including but not limited to fees for any and all services performed by Franchisee, whether for cash or credit, and income of every kind or nature related to the Franchised Business; provided, however, that "Gross Billings" shall not include any sales tax or other taxes that are collected from customers for transmittal to the appropriate taxing authority.

C. **Billing and Payment Procedures.** Franchisor will bill each of Franchisee's janitorial customer accounts, including those accounts generated by Franchisee, on a monthly basis. All fees referred to in this Franchise Agreement are due from Franchisee to Franchisor on the 25th day following the last day of the month during which services are performed. The escrow agent for the Escrow Account receiving customer payments will deduct from all fees received from Franchisee's janitorial customers and disburse to Franchisor any and all amounts

due from Franchisee to Franchisor including, but not limited to all Royalty Fees, Administrative fees, Finder's Fees, transfer fees, handling fees, fees for insurance placed by Franchisee through Franchisor, payments on all Promissory Notes between Franchisee and Franchisor, all equipment lease payments due from Franchisee to Franchisor, and any other debts of whatever manner owed by Franchisee to Franchisor. Franchisor shall maintain billing and income records, and shall assist Franchisee in customer relations.

In connection with the performance of Franchisor's business services to Franchisee, Franchisee hereby irrevocably appoints Franchisor its true and lawful attorney-in-fact to take control in any manner of any cash or non-cash items of payment or proceeds thereof; to endorse the name of Franchisee on any checks, drafts, or other evidences of payments that may come into Franchisor's possession; to sign Franchisee's name on any notice of lien, claim of mechanic's lien, or assignment or satisfaction of mechanic's lien; and to do all other acts and things necessary, in Franchisor's sole judgment, to carry out this Agreement. All checks and other forms of remittance received by Franchisor as attorney-in-fact for Franchisee shall be endorsed: "Pay to the order of CleanNet of the Bay Area Escrow Account", or in such other manner as Franchisor may designate. Franchisee's signature or name may be inserted on all checks and other forms of remittance by Franchisor in longhand, in typewriting or by rubber stamp. Every such endorsement, however signed or made, shall be deemed the valid endorsement of Franchisee.

Franchisor shall be entitled to recover from Franchisee all reasonable attorney's fees, court costs and expenses, and out-of-pocket costs which may be incurred by Franchisor in enforcing payment of any accounts, whether against account debtors, Franchisee, borrowers, Franchisee's guarantors, or others, provided that Franchisee has authorized such action, except that an action against Franchisee or Franchisee's guarantors does not require Franchisee's authorization. All amounts paid to Franchisor for, by or on behalf of Franchisee, and all credits due Franchisee, shall first be applied in whole or in part to Franchisee's then due or past due obligations under this Agreement, and next to all other agreements, past, present or future, between Franchisor and Franchisee, to the extent and in the manner that Franchisor may see fit in its sole discretion.

D. Advances. On Franchisee's request, Franchisor may, at its sole discretion, advance to Franchisee, through the Escrow Account, amounts that have been billed to but have not yet been collected from Franchisee's customers. The amount of the advances, if any, will be limited to 60 days' billings per customer, and the duration of any advance will be 90 days per customer. If, at the end of 90 days from the date advanced, an amount advanced to Franchisee remains uncollected by Franchisor, Franchisee must immediately repay Franchisor the amount advanced in full. No interest is charged by Franchisor on such advances. At the sole option of Franchisor, any janitorial customer account may be declared a bad payment risk. On such declaration, Franchisor will no longer make any payments in advance to Franchisee for that account's monthly billings. Franchisee will thereafter only receive disbursements for such bad risk accounts after actual receipt by the Escrow Account of that account's monthly billing. On such bad risk accounts, Franchisor may advise Franchisee to cease servicing the account, but the ultimate decision whether to do so will be made by Franchisee, at its discretion. Franchisor is not required to take any particular action, including legal action, to enforce payment of accounts by a defaulting customer.

V. DUTIES OF FRANCHISEE

A. Compliance with System and Uniform Standards. Franchisee understands and acknowledges that every detail of the appearance and operation of the Franchised Business in compliance with the System is critical to Franchisor, Franchisee and other franchisees in order to develop and maintain high and uniform operating standards; increase the demand for the services performed by franchisees; and protect the Proprietary Marks and the System, and Franchisor's trade secrets, reputation and goodwill. Franchisee shall operate the Franchised Business in conformity with such uniform methods, standards and specifications as Franchisor may periodically prescribe to ensure that the highest degree of quality and service is uniformly maintained. Franchisee shall conduct its business in a manner that reflects favorably at all times on the System and the Proprietary Marks. Franchisee shall never engage in deceptive, misleading or unethical practices or conduct any other act that may have a negative impact on the reputation and goodwill of Franchisor or any other franchisee operating under the System. While Franchisor has developed uniform operating standards and protocols that are required of, and that benefit, all franchisees, Franchisee retains complete and exclusive control over the means and methods used in performing services on a day-do-day basis and in operating its Franchised Business in a manner that meets or exceeds such operating standards and protocols.

B. Equipment and Performance. Franchisee will provide all labor, equipment, facilities, materials, tools and supplies necessary to operate its business and to service its janitorial customer accounts, including all janitorial services called for in each customer contract, except those items of equipment provided by the customer contract. Franchisee agrees to maintain in sufficient supply as Franchisor may prescribe in the Manual or otherwise in writing and use at all times only such products and supplies as conform to Franchisor's standards and specifications as contained in the Manual, and to refrain from deviating therefrom without Franchisor's prior written consent. Franchisee agrees to lease or purchase at Franchisee's expense all of the equipment that Franchisor may reasonably periodically specify as meeting minimum standards for franchisees in the Manual or otherwise in writing. All services will be provided and/or supervised by Franchisee and performed in a competent manner, satisfactory to the customer.

C. Procurement of Business License. Franchisee shall obtain at its own cost and expense all business licenses, permits and certifications required for the opening and ongoing operation of the Franchised Business and shall certify in writing to Franchisor on request that all such licenses, permits and certifications have been obtained and are in good standing. Franchisee agrees to maintain all licenses and permits in good standing during the term of this Agreement.

D. Initial Training. In accordance with the terms and conditions set forth in Section III.A.5 hereof, Franchisee or its designee and Franchisee's manager shall attend and complete Franchisor's initial training program to the full satisfaction of Franchisor in its sole discretion. Franchisee must take and pass a test on each training subject at the conclusion of each session. If Franchisee fails a test, Franchisee must retake the test until Franchisee achieves a passing score.

E. Ongoing Training. Franchisee shall cause its manager, and any person subsequently acting as the manager of the Franchised Business, to attend and complete, to

Franchisor's reasonable satisfaction, such special programs or periodic additional training as Franchisor may periodically require in writing. Franchisor shall only provide and pay for instruction and training materials in connection with such additional training. Franchisee shall be responsible for any and all other expenses incurred in training, including, without limitation, the costs of meals, entertainment, lodging, travel, laundry and wages.

F. Telephone and Cellular Phone. Due to the nature of the janitorial maintenance business, and the need to react quickly to the needs of janitorial customers, Franchisee agrees to provide Franchisor with the number of a working telephone and/or cellular telephone at which Franchisor may reach Franchisee, one of its principals or its Manager at any time. Franchisee remains obligated to be readily available during business hours (see Section V.I) and to otherwise fully comply with Franchisor's specifications regarding business communications.

G. Information Technology Requirements; Computer Hardware and Software; Personal Digital Assistant (PDA). Franchisee acknowledges that information systems and communication methods have dramatically changed and advanced; can be expected to continue to change and advance; and Internet access and computer technology are necessary and advisable in business today. Franchisee therefore agrees to have available the necessary computer hardware and software to communicate over the Internet and online, as those terms are commonly understood, including a hand-held PDA with Internet access and the ability to send and receive electronic mail. Franchisee agrees to maintain an active email address which shall, at all times, be provided to Franchisor. If Franchisor approves a software program or other technology for the operation of the Franchised Business, Franchisee must promptly purchase any computer hardware needed to run the approved software or technology; license the approved software or technology; pay any initial fees and thereafter pay any required periodic fees as specified in Section IV.A.7 of this Agreement.

H. Web Sites and Listings. Without Franchisor's prior written consent, Franchisee may not establish its own web site, or otherwise advertise, market or promote the Franchised Business on the Internet. Franchisee may not register any domain name containing the Proprietary Marks or any variation of the Proprietary Marks. Franchisee acknowledges and agrees that Franchisor will own all rights to and interest in each telephone number and telephone directory listing, email address, domain name and comparable electronic identity that is associated in any manner with the Proprietary Marks ("Listing"). Franchisee acknowledges and agrees that all goodwill arising from or in connection with the use of each Listing will inure to Franchisor's benefit. Promptly after expiration, termination, or transfer of the Franchise, Franchisee will notify each telephone or Internet service provider with whom Franchisee has any Listing and direct them to transfer the Listing to Franchisor, or its designee, at Franchisee's expense; and Franchisee agrees to execute all documents necessary to complete these transfers. On execution of this Agreement, Franchisee will sign a transfer of service consent and authorization (Attachment H), granting Franchisor the authority to change, transfer or terminate any Listing on Franchisee's behalf; provided, that Franchisor agrees to use Attachment H only if Franchisee does not comply fully with this Section V.H and Section XIV.G of this Agreement.

I. Display of Proprietary Marks and Logos. Franchisee agrees to purchase and maintain any and all signs for use at the Franchised Business, whether for interior or exterior use, in conformity with Franchisor's quality control standards and specifications. Franchisee shall display Franchisor's Proprietary Marks and logos on uniforms and otherwise in the manner

prescribed by Franchisor. The color, design and location of said displays shall be specified by Franchisor and may be periodically changed in the sole discretion of Franchisor. Franchisee shall not display any other signs or posters, unless required by law or regulation, without the prior written consent of Franchisor.

J. Supervision Requirements. The Franchised Business shall at all times be under the direct supervision and control of Franchisee (or if Franchisee is a legal entity, one of its principal shareholders, members or partners, as the case may be, as designated by Franchisee) who: has attended and successfully completed Franchisor's initial training program; and must devote his or her full time and energy during business hours to the supervision and management of the Franchised Business, unless otherwise exempted by permission of Franchisor. Franchisee agrees to maintain a competent, conscientious staff. Franchisee agrees to employ a sufficient number of employees to meet or exceed the uniform operating standards and to comply with all applicable federal, state and local laws, rules and regulations with respect to such employees. Subject only to Franchisor's right to approve Franchisor's selection of a designated manager under Section XV.A, Franchisee shall retain the exclusive right of approval and control over and responsibility for recruiting, hiring, firing, compensation, supervision and discipline of Franchisee's personnel, the working conditions of Franchisee's personnel and the employment policies and procedures governing such personnel.

K. Operation of the Franchised Business. Franchisee shall use the Franchised Business solely for the operation of the Franchised Business that is licensed hereunder in strict accordance with the Manual; Franchisee agrees to sell or offer for sale only such services as meet Franchisor's uniform standards and which have been expressly approved for sale in writing by Franchisor in accordance with Franchisor's methods and techniques; to sell or offer for sale all approved services; to refrain from any deviation from Franchisor's standards and specifications; and to discontinue selling and offering for sale any such services as Franchisor may, in its sole discretion, disapprove in writing at any time. Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may periodically prescribe. Franchisee agrees to be available during normal business hours or any other reasonable time convenient to a customer for a walk-thru at the customer's facility, with a representative of the customer or Franchisor's representative or both and/or to meet and become familiar with the facility and alarm code, and/or facility key pick up. Normal business hours are defined as from 8 am to 5 p.m. Monday thru Friday, excluding National holidays.

L. Health and Safety Standards. Franchisee shall meet and maintain the highest safety standards and ratings applicable to the operation and management of the Franchised Business and its personnel as Franchisor may reasonably require. Franchisee agrees to maintain safe work areas and a safe place of business in accordance with OSHA and other governmental and industry standards. Franchisee will make use of cautionary signs to warn of hazardous conditions or materials.

M. Proprietary Methods. Franchisee acknowledges and agrees that Franchisor has developed certain products, services, operational systems and management techniques and may continue to develop additional products and proprietary methods and techniques for use in the operation of the Franchised Business which are all highly confidential and which are trade secrets of Franchisor. Because of the importance of quality control, uniformity of product and the significance of such proprietary products in the System, it is to the mutual benefit of the parties

that Franchisor closely controls the dissemination of this proprietary information. Accordingly, Franchisee agrees that if such information and techniques become a part of the System, Franchisee shall comply and strictly follow these techniques in the operation of its business and shall purchase from Franchisor, or from an approved source designated by Franchisor, any supplies or materials necessary to protect and implement such techniques.

N. Development of the Market. Franchisee shall at all times use its best efforts to promote and increase the sales and consumer recognition of the services offered by Franchisee's business pursuant to the System and the Manual, to effect the widest and best possible distribution of Franchisee's services and to devote its best efforts in controlling its business, its managers, assistants and employees. Franchisee may request assistance from Franchisor in developing price quotes and/or in develop customer contracts. Franchisee retains the right to enter into contracts with customers directly, provided that such contracts provide for all customer payments to be made through the Escrow Account and made payable to the order of CleanNet of the Bay Area Escrow Account, and that all contracts are in writing and clearly disclose that Franchisee is an independently owned and operated business and that the contract is binding only on Franchisee, not Franchisor. Franchisee shall promptly provide Franchisor with a copy of any contract entered into with a customer so Franchisor can incorporate the new information into its billing and collections systems. Franchisee agrees to be solely responsible for servicing or providing experienced employees or sub-contractors to service Franchisee's customers and to be responsible for providing services to customers in accordance with contractual commitments. Franchisor is not obligated to replace any terminated customer account except as specified in Sections I.B.4 and III.B.4.

O. Security. Franchisee is responsible for all keys to the customers' premises and for ensuring that its personnel observe all security systems and precautions necessary or required at the customers' premises. If Franchisee's services are discontinued for any reason or if this Agreement expires or is terminated for any reason, Franchisee agrees to return all keys and security codes and cards within 24 hours of notification. Franchisee's failure to return a customer's keys for any reason renders Franchisee liable for the charges incurred to change the customer's locks and/or any other charges that may be incurred as a result of Franchisee's failure to return customer keys and/or security cards. If Franchisee fails to comply with its obligations, Franchisor may pay for changing a customer's locks and charge Franchisee as specified in Section IV.A.9 of this Agreement.

P. Supply Replacement. Franchisee shall be solely responsible for monitoring and maintaining the supply levels at its customer locations. Franchisee shall replace supplies at its customer locations in accordance with the Manual or as specified by the janitorial customer. If Franchisee fails to satisfy this provision and Franchisor replaces supplies for Franchisee, Franchisee must immediately reimburse Franchisor in full for Franchisor's costs associated with the supply replenishment, and pay a \$50 administrative handling fee.

VI. PROPRIETARY MARKS

A. Grant of License. Franchisor hereby grants Franchisee the non-exclusive right and license to use the CleanNet mark and any logo derived therefrom in connection with the operation of its Franchised Business and the provision of services to its customers.

B. Conditions for Use. With respect to Franchisee's use of the Proprietary Marks pursuant to the license granted under this Agreement, Franchisee agrees that:

1. Franchisee shall use only the Proprietary Marks designated by Franchisor and shall use them only in the manner required or authorized and permitted by Franchisor.

2. Franchisee shall use the Proprietary Marks only in connection with the right and license to operate the Franchised Business granted hereunder.

3. During the term of this Agreement and any renewal hereof, Franchisee shall identify itself as a licensee and not the owner of the Proprietary Marks and shall make any necessary filings under state law to reflect such status. In addition, Franchisee shall identify itself as a licensee of the Proprietary Marks on all invoices, order forms, receipts, business stationery and contracts, as well as the display of a notice in such form and content and at such locations as Franchisor may designate in writing.

C. Acknowledgment. Franchisee expressly understands and acknowledges that Franchisor is the exclusive owner of all right, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them; that the Proprietary Marks are valid and serve to identify the System and those who are licensed to operate a Franchised Business in accordance with the System; and that Franchisee's use of the Proprietary Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the nonexclusive license granted herein.

VII. CONFIDENTIAL MANUAL

A. Compliance. In order to protect the reputation and goodwill of Franchisor and all franchisees and to maintain uniform standards of operation in connection with the Proprietary Marks, Franchisee shall conduct its business in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed in the Manual and any supplemental bulletins, notices, revisions, modifications or amendments thereto, all of which shall be deemed a part thereof. One registered Manual shall be provided to Franchisee on loan from Franchisor during the initial training program, and Franchisee shall sign a corresponding receipt therefore.

B. Use. Franchisee agrees to immediately adopt and use the programs, services, methods, standards, materials, policies and procedures set forth in the Manual, as they may be periodically modified by Franchisor. Franchisee acknowledges that Franchisor is the owner or licensee of all proprietary rights in and to the System, and the Manual, and any changes or supplements thereto.

C. Confidentiality. Franchisee shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business and all of the information contained therein as proprietary and confidential, and shall use all reasonable efforts to maintain such information as confidential.

D. Trade Secrets. Franchisee acknowledges, knows and agrees that designated portions of the Manual are "trade secrets" owned and treated as such by Franchisor.

E. Access. The trade secrets must be accorded maximum security consistent with Franchisee's need to make frequent reference thereto. Franchisee shall strictly limit access to the Manual to employees who have a demonstrable and valid need to know the information contained therein in order to perform their duties. Franchisee shall strictly follow any provisions in the Manual regarding the care, storage and use of the Manual and all related proprietary information.

F. Duplication. Franchisee shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce in any manner any part of the Manual, updates, supplements or related materials, in whole or in part, or otherwise make the same available to any unauthorized person.

G. Franchisor's Property. The Manual shall remain, at all times, the sole property of Franchisor. On the expiration or termination of this Agreement for any reason, Franchisee shall return to Franchisor the Manual and all supplements thereto.

H. Updates or Revisions. Franchisor retains the right to prescribe additions to, deletions from or revisions to the Manual, which shall become binding on Franchisee on being mailed or otherwise delivered to Franchisee, as if originally set forth therein. The Manual, and any such additions, deletions or revisions thereto, shall not alter Franchisee's rights and obligations hereunder.

I. Master Set. Franchisee shall at all times insure that its Manual is kept current and up-to-date, and in the event of any dispute as to the contents of the Manual, the terms contained in the master set of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

J. Replacement Fee. If the Manual is lost, stolen or destroyed, Franchisee shall pay Franchisor a non-refundable replacement fee of \$100 for each volume of the replacement Manual.

VIII. CONFIDENTIAL INFORMATION

A. Confidential Relationship. The parties expressly understand and agree that the relationship established between Franchisor and Franchisee by this Agreement is one of confidence and trust, and that as a result, Franchisor will be disclosing and transmitting to Franchisee certain trade secrets and other confidential and proprietary information (the "Confidential Information") concerning various aspects of Franchisee's operation of the Franchised Business, its methods of operation, techniques and all proprietary systems, procedures and materials relevant thereto pursuant to the System and this Agreement.

B. Obligations of Franchisee. In order to preserve and protect the Confidential Information that will be disclosed to Franchisee during the term of this Agreement, Franchisee

agrees that Franchisee shall treat and maintain the Confidential Information as confidential both during the term of this Agreement and thereafter and that Franchisee shall restrict disclosure of the Confidential Information to only those of its employees or agents who are directly connected with the performance of work requiring knowledge thereof and shall disclose only so much of the Confidential Information as is required to enable those employees or agents to carry out their assigned duties.

IX. ACCOUNTING, RECORDS, REPORTS, INSPECTIONS AND AUDITS

A. Accounting. In accordance with Section IV.B of this Agreement, Franchisor will bill each of Franchisee's customer accounts, including those accounts generated by Franchisee, on a monthly basis. In consideration of Franchisor's billing and accounting services, Franchisee pays to Franchisor the monthly Administrative fee set forth in Section IV.A of this Agreement.

B. Records. Franchisee shall maintain during the term of this Agreement and shall preserve for not less than seven years from the date of preparation full, complete and accurate books, records and accounts in accordance with the System and in the form and manner periodically prescribed by Franchisor in the Manual or otherwise in writing.

C. Other Submissions. Franchisee shall provide to Franchisor, at least twice a month (or such other times as Franchisor may periodically reasonably specify in writing), an inspection report signed by the customer for each customer location being serviced. Franchisee shall also submit to Franchisor such other forms, reports, and any and all other information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, on request and as periodically specified in the Manual or otherwise in writing, at any time during the term of this Agreement.

D. Inspection of Premises. Franchisor may at its sole discretion, and without giving prior notice, perform periodic quality control visits to each location under the care of Franchisee. During such visits, all Franchisee operations are inspected and recommendations to correct deficiencies, improve techniques, and enhance the efficiency of Franchisee may be offered. If given prior notice, Franchisee or its Manager must be present and must cooperate fully with Franchisor's agents in such inspections by rendering such assistance as they may reasonably request.

E. Audit. On Franchisor's reasonable written request, at mutually agreeable times during Franchisee's normal business hours, Franchisee shall allow Franchisor or its designee reasonable access to Franchisee's books and records to ascertain whether amounts are due to Franchisor under this Agreement. Franchisee agrees to arrange access within 15 business days after Franchisor's request. Each audit shall be limited to the pertinent records for any period ending not more than 24 months before the date of request. Franchisor shall not be permitted to audit the same period of time more than once and Franchisor cannot exercise its audit rights under this Section more than once in any 12-month period. Franchisor or its designee will prepare a written report stating whether any discrepancies were found. Franchisor shall hold in strict confidence all information disclosed to it, except to the extent necessary for Franchisor to enforce its rights under this Agreement. All audit costs will be paid by Franchisor unless an audit reveals any underpayment by Franchisee of 5% or more of the amount payable to Franchisor during the period audited.

①

X. ADVERTISING

A. Advertising Fund. Franchisor has not yet established a system-wide advertising fund and does not currently require its franchisees to make advertising contributions; however, Franchisor reserves the right to establish and operate a system-wide advertising fund and to charge Franchisee an advertising fee (see Section IV.A.8 of this Agreement).

B. Submission and Approval of Promotional and Marketing Materials. All promotional and marketing materials to be used by Franchisee in any medium shall be presented in a dignified manner and shall conform to such standards and requirements as Franchisor may periodically specify in the Manuals or otherwise. Franchisee shall submit to Franchisor for its prior written approval, samples of all promotional and marketing materials in whatever form that Franchisee desires to use. Franchisee shall comply with all revisions to said promotional and marketing materials that Franchisor may require before approving said promotional and marketing materials. Franchisee shall not use any advertising or promotional plans or materials that have not been approved in writing by Franchisor, and Franchisee shall cease to use any plans or materials promptly on notice by Franchisor. Failure by Franchisee to obtain the prior written approval of Franchisor for all proposed advertising may be deemed a default of this Agreement in accordance with Section XIII.A of this Agreement.

XI. INSURANCE

A. Procurement. Franchisee shall procure, before the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement, at Franchisee's expense, the following:

1. Comprehensive general liability insurance, including contractual liability, broad form property damage, personal injury, product liability, completed operations and independent contractors coverage, and fire damage coverage protecting against any loss, liability, personal injury, death, property damage or expense whatsoever from fire, lightning, theft, vandalism, malicious mischief and the perils included in the extended coverage endorsement, arising or occurring on or in connection with the Franchised Business, or by reason of the operation of the Franchised Business, in the amount of \$1,000,000;

2. Automobile liability insurance with a limit of at least \$500,000 on each owned, non-owned or hired vehicle used in the operation of the Franchised Business;

3. Umbrella commercial liability with a limit of at least \$5,000,000 per occurrence and aggregate, with the commercial general liability, automobile liability and workers' compensation/employer's liability as underlying policies;

4. Blanket Fidelity Bond in the amount of \$10,000; and

5. Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated and such other insurance applicable to such other special risks, if any, as Franchisor may reasonably require for its own and Franchisee's protection.

2

B. Minimum Coverage. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with the standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum the limits specified in this Agreement and any higher policy limits may reasonably be periodically specified by Franchisor in the Manual or otherwise in writing. Franchisor specifically reserves the right to increase or decrease the minimum limits listed herein above as well as to add new types of required coverage.

C. Certificates. At least 30 days before the grand opening of the Franchised Business (or on commencement of initial training if earlier), and on each policy renewal date thereafter, Franchisee shall submit to Franchisor, original or duplicate copies of all policies and policy amendments. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be cancelled or materially altered without at least 30-days prior written notice to Franchisor.

D. Additional Insured and Independence of Coverage Requirements. Each insurance policy that Franchisee maintains for the Franchised Business must: name Franchisor, and its successors, assigns, shareholders, partners, officers, directors, employees and agents as additional insureds; require the insurer to defend each person or entity if there is a claim; provide that any liability coverage afforded applies separately to each person or entity against whom a claim is brought as though a separate policy had been issued to that person or entity; contain no provision that limits or reduces coverage if there is a claim by one or more additional insured. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, and Franchisee's performance of that obligation shall not relieve it of liability under the indemnity provision set forth in Section XVIII. Coverage for the additional insureds will apply on a primary basis irrespective of any other insurance, whether or not collectable

E. Failure to Procure. Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, as periodically revised for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge the same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, including but not limited to attorneys' fees, shall be payable by Franchisee immediately on notice.

F. Third Parties. Franchisee shall ensure that all third parties with whom Franchisee conducts business, are properly insured.

XII. TRANSFER OF INTEREST; OPERATION BY FRANCHISOR

A. Transfer by Franchisor. Franchisor shall have the right to assign this Agreement, and all of its rights and privileges hereunder, to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor: (1) the assignee shall, at the time of such assignment, be capable of performing the obligations of Franchisor hereunder, and (2) the assignee shall expressly assume and agree to perform such obligations.

B. Transfer by Franchisee.

1. Neither Franchisee, any immediate or remote successor to any part of Franchisee's interest in the Franchised Business, any individual, partnership, corporation or other legal entity which directly or indirectly controls Franchisee, if Franchisee is a corporation, nor any general partner or any limited partner (including any corporation which controls, directly or indirectly, any general or limited partner) if Franchisee is a partnership, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in Franchisee or in the Franchised Business without the prior written consent of Franchisor, which consent may not unreasonably be withheld; provided, however, that Franchisor's prior written consent shall not be required for a transfer of less than a 5% interest in a publicly-held corporation or for transfer to a wholly-owned corporation of Franchisee formed expressly for that purpose. For such purposes, and under this Agreement in general, a publicly held corporation is a "Reporting Company" as that term is defined by the Securities Exchange Act of 1934. Franchisee must notify Franchisor in writing at least 60 days before the date of the intended sale or assignment. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor shall be invalid and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section XIII.A of this Agreement.

2. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee or in this Agreement. If, however, a transfer, alone or together with other previous, simultaneous or proposed transfers, would have the effect of transferring a controlling interest in the Franchised Business, Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

a. All of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries, affiliates and suppliers shall be up to date, fully paid and satisfied;

b. Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, any other franchise agreement or other agreement between Franchisee and Franchisor, or its subsidiaries, affiliates or suppliers;

c. Franchisee and each of its partners, shareholders, members, officers and directors shall have executed a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

d. Franchisee shall remain liable for all direct and indirect obligations to Franchisor in connection with the Franchised Business before the effective date of the transfer, shall continue to remain responsible for its obligations of nondisclosure, noncompetition and indemnification as provided elsewhere in this Agreement and shall execute any and all instruments reasonably requested by Franchisor to further evidence such liability;

e. Franchisee must adequately train the transferee and its manager in the field operations of the Franchised Business;

f. The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related experience or otherwise); has at least the same managerial and financial criteria required of new franchisees; and shall have sufficient equity capital to operate the Franchised Business;

g. The transferee shall either assume this Agreement by signing a document substantially similar to Attachment J or, at Franchisor's option, execute Franchisor's then-current standard form of franchise agreement, and such other ancillary agreements as Franchisor may require for the Franchised Business, for a term ending on the expiration date of this Agreement. Any new franchise agreement shall supersede this Agreement in all respects; and the provisions of the new franchise agreement may differ from the terms of this Agreement. If the transferee is not an individual, the shareholders, members, partners or other owners of the transferee shall jointly and severally guarantee the obligations of transferee in writing in a form satisfactory to Franchisor, and sign an Acknowledgment of Receipt of all required legal documents;

h. The transferee shall upgrade, at the transferee's expense, the Franchised Business to conform to the then current specifications then being used in new Franchised Businesses, and shall complete the upgrading and other requirements within the time specified by Franchisor;

i. The transferee and its manager shall complete any classroom training programs then in effect for current franchisees on such terms and conditions as Franchisor may reasonably require unless such persons have been trained previously by Franchisor;

j. The transferee or Franchisee shall pay to Franchisor a transfer fee equal to 10% of Franchisee's yearly gross income on all customer accounts assigned to Franchisee at the time of transfer up to a combined maximum amount of \$2,000.

C. Franchisor's Right of First Refusal. Any party who holds an interest (as reasonably determined by Franchisor) in Franchisee or in the Franchised Business and who desires to accept any bona fide offer from a third party to purchase his interest shall notify Franchisor in writing of each such offer and, except as otherwise provided herein, Franchisor shall have the right and option, exercisable within 30 days after receipt of such written notification, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party less any amount of the purchase price attributable to the goodwill associated with the Franchised Business, the Proprietary Marks or the System. Any material change in the terms of any offer before closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur by the later of: (a) the closing date specified in the third party offer; or (b) within 60 days from the date of notice to the seller of Franchisor's election to purchase. Failure of Franchisor to exercise the option afforded by this Section XII.C shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section XII, with respect to a proposed transfer. If the consideration, terms and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then Franchisor may purchase the Franchised Business proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree, within a reasonable time, on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by a third party, an independent appraiser shall be designated by Franchisor, and his determination shall be final and binding.

D. Transfer to Legal Entity. If Franchisee is an individual or sole proprietorship, Franchisee may transfer this Agreement to a corporation, limited liability corporation, limited liability company, partnership or other legal entity ("legal entity") if Franchisee fulfills the following requirements (also see Attachment E):

1. Franchisee must be the owner of all of the ownership interests in the legal entity; or if Franchisee is more than one individual, each individual must have the same proportionate ownership interest in the legal entity as he or she had in Franchisee before the transfer to the legal entity.

2. Franchisee or another person who has successfully completed initial training must act as the principal operating officer of the legal entity.

3. The legal entity's activities will be confined exclusively to operating the Franchised Business.

4. Each stock certificate, certificate of interest or other evidence of ownership will have conspicuously endorsed on its face a statement, in a form satisfactory to Franchisor, that ownership and further transfer is subject to his Agreement.

5. Copies of the legal entity's Certificate and Articles of Incorporation or Certificate and Agreement of Partnership or Certificate and Articles of Organization; By-Laws or Partnership Agreement or Operating Agreement; resolutions and any other significant governing documents, will be furnished promptly to Franchisor on request.

6. In accordance with Section XXIV.D of this Agreement, all shareholders, members, partners or other beneficial owners of any legal entity will, jointly and severally, personally bind themselves to the restrictive covenants of the Agreement and any related agreements and personally guarantee the legal entity's performance under the Agreement in a form satisfactory to Franchisor.

7. Franchisee will maintain a current list of shareholders, members, partners or other beneficial owners and will furnish the list to Franchisor promptly on request.

8. Franchisee will not be required to pay a transfer fee for the first transfer to a legal entity that Franchisee controls, but for a second or any additional transfers, Franchisor may require payment of the same transfer fee as provided in Section XII.B.2.j of this Agreement.

E. Transfer On Death or Mental Incapacity. On the death, mental incapacity or disability of Franchisee or its principal shareholder, member or partner, Franchisor shall consent to the transfer of said interest in Franchisee, the Franchised Business and this Agreement to the spouse, heirs or relative by blood or by marriage, of said Franchisee, shareholder, member or partner, whether such transfer is made by will or by operation of law, if, in Franchisor's sole discretion and judgment, such person or persons meet Franchisor's educational, managerial and business standards; possess a good moral character, business reputation and credit rating; have the aptitude and ability to conduct the Franchised Business herein; have at least the same managerial and financial criteria required by new franchisees and shall have sufficient equity capital to operate the Franchised Business. If said transfer is not approved by Franchisor, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by Franchisor within six months after such death, mental incapacity or disability. Such transfer shall be subject to Franchisor's right of first refusal under Section XII.C and to the same conditions as any inter vivos transfer under Section XII.B.

F. Operation of the Franchised Business by Franchisor. In order to prevent any interruption of the business of the Franchised Business and any injury to the goodwill and reputation thereof which would cause harm to the Franchised Business and thereby depreciate the value thereof, Franchisee hereby authorizes Franchisor, and Franchisor shall have the right, but not the obligation, to operate said Franchised Business for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement, if: (1) any of Franchisee's principals, shareholders, members or partners is absent or incapacitated by reason of illness or death and that Franchisee is not, therefore, in the sole judgment of Franchisor, able to do the business licensed hereunder, or (2) any allegation or claim is made against the Franchised Business, Franchisee or any principals, shareholders, members, partners, officers, directors or employees of Franchisee, involving or relating to misrepresentations or any fraudulent or deceptive practice. If Franchisor should elect to operate the Franchised Business, Franchisor at its option shall not be obligated so to operate it for a period more than 90 days. All revenues from the operation of the Franchised Business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the Franchised Business, including reasonable royalty fees, advertising contributions, compensation and expenses for Franchisor's representative, shall be charged to said account. If, as herein provided, Franchisor elects to temporarily operate the Franchised Business on behalf of

Franchisee, Franchisee hereby agrees to indemnify and hold Franchisor harmless from any and all claims arising from the acts and omissions of Franchisor and its representatives.

G. Non-Waiver of Claims. Franchisor's consent to a transfer will not constitute a waiver of any claims that Franchisor may have against the transferring party. Franchisor's consent will not constitute a waiver of Franchisor's right to demand compliance by the transferee with any of the terms of this Agreement, or any other agreement to which Franchisor and the transferee are parties.

XIII. DEFAULT AND TERMINATION

As a matter of policy, Franchisor shall make every good faith effort to avoid terminating this Agreement without having first employed all reasonable steps hereunder to cause Franchisee to correct and cure any default. Furthermore, the terms and conditions regarding default and termination contained herein shall be subject to any applicable state statutes or regulations regarding the termination of a franchise.

A. Default With No Opportunity To Cure. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately on receipt of notice by Franchisee, on the occurrence of any of the following events:

1. If Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee, or if Franchisee is adjudicated a bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee, or if a receiver or other custodian (permanent or temporary) of Franchisee's business or assets is appointed by any court of competent jurisdiction, or if proceedings for a conference with a committee of creditors under any state, federal or foreign law should be instituted by or against Franchisee, or if a final judgment remains unsatisfied or of record for 30 days or longer (unless supersedeas bond is filed), or if execution is levied against Franchisee's operating location or property, or suit to foreclose any lien or mortgage against the premises or equipment is instituted against Franchisee and not dismissed within 30 days, or if any substantial real or personal property of the Franchised Business shall be sold after levy thereon by any sheriff, marshal or constable.

2. If Franchisee is convicted of a crime of moral turpitude or similar felony; or is convicted of any other crime or offense that Franchisor reasonably believes is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated with the Proprietary Marks or Franchisor's interest in the Proprietary Marks; or otherwise engages in behavior that materially impairs the goodwill associated with the Proprietary Marks or Franchisor's rights in the Proprietary Marks; or otherwise willfully misuses or makes any unauthorized use of the Propriety Marks.

3. If a judgment or a consent decree against Franchisee, or any of its officers, directors, shareholders or partners is entered in any case or proceeding involving allegations or fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an

adverse effect on the System, or the Proprietary Marks, the goodwill associated therewith or Franchisor's interest therein.

4. If Franchisee understates its Gross Sales by 5% or more in any report required to be submitted to Franchisor, unless due to an honest mistake.

5. If Franchisee has made any material misrepresentation or omission in this Agreement or any other agreement to which Franchisee and Franchisor are parties.

6. If Franchisee (or the principal shareholder, member or partner) engages in the abuse of alcohol and/or illicit drugs while servicing a customer account; or a threat or danger to public safety results from the maintenance or operation of the Franchised Business.

7. If Franchisee fails to obtain and maintain all required business licenses and permits under state and local law for the jurisdictions in which Franchisee is operating the Franchised Business.

8. If Franchisee engages in a pattern of failing to obtain the prior written approval of Franchisor of any and all advertising, marketing or promotional plans and materials in whatever form used by Franchisee in connection with its promotion of the Franchised Business or otherwise failing to comply with Franchisor's policies and procedures with respect to advertising, marketing or promotion.

9. If Franchisee purports to transfer any rights or obligations under this Agreement to any third party without Franchisor's prior written consent, contrary to any of the terms of Section XII of this Agreement.

10. If Franchisee fails to comply with any of the covenants contained in Section XV of this Agreement.

11. If, contrary to Sections VII and VIII of this Agreement, Franchisee discloses or divulges the contents of the Manual or any other trade secrets or Confidential Information provided to Franchisee by Franchisor.

12. If Franchisee knowingly maintains false books or records or submits any false statements, applications or reports to Franchisor or any assignee of Franchisor.

13. If Franchisee fails to begin operations immediately after being awarded its first customer account.

14. If Franchisee willfully and repeatedly engages in a course of conduct that constitutes a misrepresentation or a deceptive or unlawful act or practice in connection with its sale of the services offered through the Franchised Business.

15. If Franchisee, by act or omission, permits a continued violation in connection with the operation of the Franchised Business of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom.

16. If Franchisee is providing services to a customer, with or without notifying Franchisor, and directly bills or otherwise collects monies from the customer, or Franchisee otherwise fails to have customer monies paid to the Escrow Account maintained by Franchisor.

17. If Franchisee services a customer in any capacity other than as a franchisee of Franchisor, or engages in any business or markets any service or products under a name or mark which is different from but confusingly similar to the Proprietary Marks; or if Franchisee induces or attempts to induce any customer to cancel or divert a contract for services from Franchisor, and to contract directly with Franchisee outside of the franchise system.

18. If Franchisee defaults under any other agreement to which Franchisee and Franchisor, or any parent or subsidiary corporation or any other affiliated entity of Franchisor, are parties and fails to cure said default within the grace period (if any) provided for in such agreement; or if any other franchise agreement issued to Franchisee by Franchisor is terminated for any reason.

19. If Franchisee forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located and the forfeiture remains uncured for 10 days.

20. If Franchisee's monthly gross billings are less than \$100 for three consecutive months.

21. If Franchisee fails, refuses or neglects to pay promptly any monies owing to its employees in accordance with law, and fails to cure said default within any grace period provided by law or within three days after notice from Franchisor.

22. If Franchisee receives three or more notices of default under Sections XIII.A or XIII.B during the term of this Agreement, whether or not such defaults are cured after notice.

B. Default With 30-Day Opportunity To Cure. Except as provided in Section XIII.A of this Agreement, Franchisee shall have 30 days after receiving from Franchisor a written notice of default within which to remedy any default described in this Section XIII.B and provide evidence thereof to Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, this Agreement, at Franchisor's option, shall terminate without further notice to Franchisee effective immediately on the expiration of the 30-day period or such longer period as applicable law may require. Franchisee shall be in default hereunder for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may reasonably be periodically supplemented by updates to the Manual, or for any failure to carry out the terms of this Agreement in good faith. Such defaults shall include, without limitation, the occurrence of any of the following events:

1. If Franchisee fails, refuses or neglects to pay promptly any monies owing to Franchisor or its subsidiaries or affiliates or suppliers when due;

2. If Franchisee fails to maintain any of the standards or procedures prescribed by Franchisor in this Agreement, the Manual, any other franchise agreement between Franchisor and Franchisee, or any other written agreements between the parties or otherwise;

3. If Franchisee fails to comply with its duties set forth in Section V of this Agreement or fails to perform any obligation owing to Franchisor or to observe any covenant or agreement made by Franchisee, whether such obligation, covenant or agreement is set forth in this Agreement or in any other agreement with Franchisor including, but not limited to, any other franchise agreement by and between Franchisor and Franchisee or any entity related to Franchisor;

4. If Franchisee fails to maintain and submit to Franchisor the financial information, monthly statements or any other reports required pursuant to Section IX hereof;

5. If Franchisee fails to maintain Franchisor's quality control standards with respect to its use of signage and other uses of the Proprietary Marks; or

6. If Franchisee or its manager fail to attend and successfully complete any mandatory training program unless attendance is excused or waived, in writing, by Franchisor.

C. No Right or Remedy. No right or remedy herein conferred on or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

D. Default and Termination. The events of default and grounds for termination described in this Section XIII shall be in addition to any other grounds for termination contained elsewhere in this Agreement or otherwise.

E. Right to Purchase. If this Agreement is terminated for any reason, including, but not limited to, a default under this Section XIII, Franchisor shall have the right and option to purchase Franchisee's interest in the tangible assets of the Franchised Business.

F. Termination or Reassignment of Customer Accounts. Franchisor may, at its sole discretion, elect to terminate any of Franchisee's customer accounts, elect to service any of Franchisee's customer accounts itself, or elect to reassign any of Franchisee's customer accounts to another franchisee of Franchisor, without notice to Franchisee, on the occurrence of any of the following events:

1. Franchisee materially fails to perform its obligations to the customer's satisfaction, pursuant to the spirit and intent of Franchisor's System, and such failure continues for five days after written notice from Franchisor to Franchisee;

2. Franchisor receives written or oral notice from a customer of Franchisee advising that the customer has terminated the account with Franchisee or requesting Franchisor to notify Franchisee of the customer's decision to terminate the account and requesting transfer of the account to another franchisee of Franchisor for any reason;

3. Franchisee fails to perform its janitorial services or other duties to the customer's satisfaction and a customer makes three oral or written complaints within a 90-day period;

4. Franchisee notifies Franchisor in writing of Franchisee's desire to cease servicing a particular customer;

FA-Page 28

CleanNet-CA (Bay Area)-0310

I have read, understood and agree with the statements on this page as written. Initial Here: EE VR

5. Franchisee services a customer in any capacity other than as a franchisee of Franchisor; or

6. Franchisee voluntarily abandons a customer account or abandons the Franchised Business.

If Franchisor exercises its option to terminate or reassign an account under this Section XIII.F, Franchisor will not be required to replace any such account. In addition, Franchisee shall not be entitled to any payments by the customer for any services performed after the termination or reassignment and Franchisee shall not be entitled to any refund, rebate or discount of any fees paid or due to Franchisor because of the termination or reassignment.

XIV. OBLIGATIONS ON TERMINATION

On termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and Franchisee shall observe and perform the following:

A. Cessation of Operation. Franchisee shall immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a franchisee of Franchisor.

B. Cessation of Use of Proprietary Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any equipment, format, confidential methods, customer data base, programs, literature, procedures and techniques associated with the System, the name CLEANNET and any Proprietary Marks and distinctive trade dress, forms, slogans, uniforms, signs, symbols or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, fixtures, furniture, equipment, advertising materials or promotional displays, uniforms, stationery, forms and any other articles that display the Proprietary Marks associated with the System.

C. Cancellation of Name. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Proprietary Marks or any other trademark, trade name or service mark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within 30 days after termination or expiration of this Agreement.

D. Prompt Payment On Default. Franchisee shall promptly pay all sums owing to Franchisor and its subsidiaries, affiliates and suppliers, including any key return fees. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, machinery, fixtures, equipment and inventory owned by Franchisee and on the premises of the Franchised Business at the time of default.

E. Payment of Costs. Franchisee shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this Section XIV or any other obligation under this Agreement.

F. Return of Materials. Franchisee shall immediately turn over to Franchisor all copies of all materials in Franchisee's possession including the Manual, all records, files, instructions, correspondence, customer database, brochures, agreements, disclosure statements and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, excepting only Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law. In addition to the foregoing, Franchisee shall deliver to Franchisor a complete list of all persons employed by Franchisee during the three years immediately preceding termination, together with all employment files of each employee on such list. All costs of delivering all materials required by this Section XIV.I shall be borne by Franchisee.

G. Covenant of Further Assurances. Franchisee will promptly pay all charges due for telephone and Internet services, will cancel or assign to Franchisor or its designee, any Listings used in the Franchised Business. Franchisee shall execute any legal document that may be necessary to effectuate the termination hereunder and shall furnish to Franchisor, within 30 days after the effective date of termination, written evidence satisfactory to Franchisor of Franchisee's compliance with the foregoing obligations.

H. Compliance with Covenants. Franchisee shall comply with all applicable covenants contained in Section XV of this Agreement.

I. No Further Interest. Other than as specifically set forth above, Franchisee shall have no interest in the Franchised Business on termination or expiration of this Agreement.

XV. COVENANTS

A. Best Efforts. Franchisee covenants that during the term of this Agreement, and subject to the post-termination provisions contained herein, and except as otherwise approved in writing by Franchisor, Franchisee shall ensure that the manager approved by Franchisor devotes his or her full time, energy and best efforts to the efficient and effective management and operation of the Franchised Business. Franchisee shall provide Franchisor with full information concerning the financial background, employment history and experience of its designated manager at least 30 days before the date on which the designated manager commences employment. Such designated manager shall not commence employment with Franchisee or assume any responsibilities for the operation of the Franchised Business without Franchisor's prior written approval, which approval may not be unreasonably withheld and will be based exclusively on the factors specified herein. Should Franchisor not approve Franchisee's recommended designated manager, Franchisee shall recommend another individual as designated manager, and the designated manager must be approved as set forth herein.

B. Ethical Practices. Franchisee has heretofore specifically acknowledged that pursuant to this Agreement, Franchisee shall receive valuable specialized training and confidential and other information regarding the business, promotional, sales, marketing and operational methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement and continuing for two years after expiration, non-renewal or

termination for any reason, Franchisee shall not, except as otherwise approved in writing by Franchisor, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partners or entities:

1. Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

2. Employ or seek to employ any person who is at that time employed by Franchisor or by any other Franchisee or Area Developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment;

3. Own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the Franchised Business and which is located or operates within the Designated Territory; or

4. Solicit business from customers doing business directly with Franchisor, or with any other CleanNet franchisee, or otherwise interfere with the ongoing direct service provided by Franchisor or a franchisee.

C. Severability. If the period of time or the area specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the area will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

D. No Undue Hardship. Franchisee acknowledges and agrees that the covenants set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee, or Franchisee's shareholders, members or partners, if Franchisee is a legal entity, since Franchisee, its shareholders, members or partners have other considerable skills, experience and education which afford Franchisee, its shareholders, members or partners the opportunity to derive income from other endeavors.

XVI. CHANGES AND MODIFICATIONS

Franchisor may modify this Agreement only on the execution of a written agreement by Franchisor and Franchisee. Franchisor reserves and shall have the sole right to make changes in the Manual, the System and the Proprietary Marks at any time and without prior notice to Franchisee. Franchisee shall promptly alter any signs, products, business materials or related items, at its sole cost and expense, on written receipt of written notice of such change or

modification in order to conform to Franchisor's revised specifications. In the event that any improvement or addition to the Manual, the System or the Proprietary Marks is developed by Franchisee, then Franchisee agrees to grant to Franchisor an irrevocable, world-wide, exclusive, royalty-free license, with the right to sublicense such improvement or addition.

Franchisee understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, Franchisor's System must not remain static, in order that it best serve the interests of Franchisor, franchisees and the System. Accordingly, Franchisee expressly understands and agrees that Franchisor may periodically change the components of the System, including but not limited to, altering the programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying those programs, products and services which the Franchised Business is authorized to offer; and changing, improving or modifying the Proprietary Marks. Subject to the other provisions of this Agreement, Franchisee expressly agrees to abide by any such modifications, changes, additions, deletions and alterations.

XVII. TAXES AND INDEBTEDNESS

A. **Payment.** Franchisee shall promptly pay, when due, all taxes levied or assessed by any federal, state or local tax authority and any and all other indebtedness incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on Franchisor or Franchisee with respect to any payments to Franchisor or Franchisee required under this Agreement or under an agreement with a customer, unless the tax is credited against income tax otherwise payable by Franchisor.

B. **Dispute.** In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; provided, however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business or any improvements thereon.

C. **Compliance with Federal, State and Local Laws.** Franchisee shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, licenses and bonds necessary for the full and proper operation and management of the Franchised Business, including, without limitation, a license to do business and provide services, fictitious name registration and sales tax permits. Copies of all subsequent inspection reports, warnings, certificates and ratings, issued by any governmental entity during the term of this Agreement in connection with the conduct of the Franchised Business which indicate Franchisee's failure to meet or maintain the highest governmental standards or less than full compliance by Franchisee with any applicable law, rule or regulation, shall be forwarded to Franchisor by Franchisee within three days of Franchisee's receipt thereof.

D. **Duty to Notify.** Franchisee shall notify Franchisor in writing within three days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which

may adversely affect the operation or financial condition of the Franchised Business. Additionally, any and all consumer or customer related complaints shall be answered by Franchisee within 15 days after receipt thereof or such shorter period of time as may be provided in said complaint. A copy of said answer shall be forwarded to Franchisor within three days of the date that said answer is forwarded to the complainant.

XVIII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. Independent Contractor. During the term of this Agreement and any extensions hereof:

1. Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a license from Franchisor and as an authorized user of the System and the Proprietary Marks that are owned by Franchisor. Franchisee acknowledges and agrees that this Agreement creates an arm's-length business relationship; that it does not create any fiduciary, special or other similar relationship; that Franchisee is and shall remain at all times a completely independent contractor, and that nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Franchisee and its agents and employees may not be considered or held out to be Franchisor's agents or employees. Except as provided by Section III.B.2, Franchisor does not control or have access to Franchisee's funds or expenditures, or exercise dominion or control over the Franchised Business in any other way.

2. Franchisee shall exercise complete control over and responsibility for all labor relations and the conduct of its agents and employees, including the day-to-day operations of the Franchised Business and all of Franchisee's employees. Franchisee shall be responsible for all applicable self-employment taxes and income taxes and assumes full responsibility for social security and other taxes required to be withheld and for worker's compensation for all its employees. Franchisor shall not have the power to hire, supervise, discipline or fire Franchisee's employees and does not exercise any discretion or control over Franchisee's employment policies or employment decisions. All employees of the Franchised Business are solely Franchisee's employees and Franchisee will retain exclusive control over the manner and means of the operations of the Franchised Business and its employees.

B. No Liability. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for or be deemed liable hereunder as a result of any such action or by reason of any act or omission of Franchisee in Franchisee's conduct of the Franchised Business or any claim or judgment arising therefrom against Franchisor. Franchisee agrees to control the manner and means of the operation of the Franchised Business. Franchisee agrees to abide by all federal, state and local laws and ordinances of all government agencies or political subdivisions thereof having jurisdiction over each customer's premises or the activities conducted by Franchisee.

C. No False Representations. Except as otherwise expressly authorized by this Agreement, neither party hereto will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or

represent that the relationship between Franchisor and Franchisee is other than that of Franchisor and Franchisee. Franchisor does not assume any liability, and will not be deemed liable, for any agreements, representations, or warranties made by Franchisee that are not expressly authorized under this Agreement, nor will Franchisor be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business franchised hereby. Franchisee and its agents and employees may not negotiate or enter any agreement or incur any liability in Franchisor's name, on Franchisor's behalf, or purporting to bind Franchisor. No actions that Franchisee, its agents or employees take will be attributable to Franchisor or be considered actions obligating Franchisor. Franchisee shall never state or imply that it is a division or subsidiary of Franchisor or that it has the legal right or power to bind Franchisor in a contractual relationship.

D. Identification. Franchisee shall at all times conspicuously identify itself and the Franchised Business and in all dealings with its clients, contractors, suppliers, public officials and others, as an independently owned and operated franchisee of Franchisor. Franchisee shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials, with such content and in such fashion as Franchisor may, in its sole and exclusive discretion, periodically specify and require in its Manual (as same may be periodically amended) or otherwise in writing.

E. Indemnification. Franchisee agrees at all times to defend at his own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its corporate parent, the corporate subsidiaries, affiliates, successors, assigns and designees of either entity, and the respective directors, officers, employees, agents, shareholders, designees, and representatives of each (Franchisor and all other hereinafter referred to collectively as "Indemnities") from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based on any of the following: Franchisee's alleged infringement or any other violation or any other alleged violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; Franchisee's alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive of any industry standard; libel, slander or any other form of defamation by Franchisee; Franchisee's alleged violation or breach of any warranty, representation, agreement or obligation in this Agreement; any acts, errors or omissions of Franchisee or any of its agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives; latent or other defects in the Franchised Business, whether or not discoverable by Franchisor or Franchisee; the inaccuracy, lack of authenticity or nondisclosure of any information by any customer of the Franchised Business; any services or products provided by Franchisee at, from or related to the operation at the Franchised Business; any services or products provided by any affiliated or nonaffiliated participating entity; any action by any customer of the Franchised Business; and, any damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees, or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

XIX. APPROVALS AND WAIVERS

A. **Written Consent.** Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefore and such approval or consent shall be obtained in writing.

B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist on strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. Waiver by Franchisor of any particular default by Franchisee shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions or covenants hereof affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder or the right to declare any subsequent breach or default and to terminate this Franchise before the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

XX. RELEASE OF PRIOR CLAIMS

By executing this Agreement, Franchisee, individually and on behalf of Franchisee's heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed before the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof.

FE Please initial to acknowledge that you have read and understand this Section XX

XXI. DISCLOSURE STATEMENT AND DISCLAIMER

A. **Compliance with Applicable Franchise Laws.** Franchisee acknowledges, by its signature hereto, that it received from Franchisor a disclosure document for the state in which the Franchised Business will be located, and/or Franchisee's place of residence, as appropriate, at least fourteen (14) calendar days before the execution of this Agreement or making any payment to Franchisor.

B. **Receipt of Agreement.** Franchisee acknowledges that Franchisor has informed Franchisee of the differences between this Agreement and Franchisor's standard franchise agreement (including, for example, Franchise Package Designation and Initial Franchise Fee) at least seven (7) calendar days before Franchisee signed this Agreement. Franchisee has received a substantially complete version of this Agreement and all attachments at least seven (7) calendar days before signing this Agreement. Franchisee represents that it has read this Agreement in its entirety and that it has been given the opportunity to clarify any provisions that it did not

understand and to consult with an attorney or other professional advisor. Franchisee further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound thereby.

C. Review of Disclosure Document and Franchise Agreement. Franchisee represents that it has read this Agreement and Franchisor's disclosure document in their entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor. Franchisee further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound thereby.

D. English Language. Franchisee acknowledges that Franchisor's disclosure document and this Agreement are written in the English language. If English is not Franchisee's native language, Franchisee warrants and represents that Franchisee has had the opportunity for translation of the disclosure document and this Agreement; that all aspects of this Agreement have been explained to Franchisee's satisfaction; and that Franchisee understands and accepts this Agreement as written. Franchisee warrants and represents that Franchisee can in fact conduct business in the English language and that conducting business in the English language does not constitute an undue burden on Franchisee.

E. Acknowledgment. Franchisee acknowledges and accepts the following:

1. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

2. FRANCHISEE'S SUCCESS IN OWNING AND OPERATING A FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTS INCLUDING THE HOURS WORKED AND FRANCHISEE'S GROSS BILLINGS.

3. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESS RESTS SOLELY WITH FRANCHISEE.

4. FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO FRANCHISEE AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER FRANCHISEE'S BUSINESS.

5. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE FRANCHISEE TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED IN THIS AGREEMENT, ANY RELATED AGREEMENTS, AND ANY ATTACHMENTS, OR THE REPRESENTATIONS IN FRANCHISOR'S DISCLOSURE DOCUMENT (INCLUDING ITS EXHIBITS AND ANY QUARTERLY UPDATES OR AMENDMENTS) THAT WAS PROVIDED TO FRANCHISEE BY FRANCHISOR.

6. FRANCHISEE HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY, EXCEPT ANY FINANCIAL PERFORMANCE REPRESENTATIONS CONTAINED IN ITEM 19 OF FRANCHISOR'S DISCLOSURE DOCUMENT.

7. FRANCHISEE ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO, OR SUPPLEMENTAL TO, THE TERMS CONTAINED IN THIS AGREEMENT.

8. FRANCHISEE HAS REPRESENTED TO FRANCHISOR THAT NEITHER FRANCHISEE NOR ANY OF ITS OWNERS HAVE BEEN DESIGNATED AS SUSPECTED TERRORISTS AS SET FORTH ON THE LIST OF SPECIALLY DESIGNATED NATIONALS AS PROMULGATED BY THE OFFICE FOR ASSET CONTROL UNDER THE U.S. DEPARTMENT OF TREASURY.

EE Please initial to acknowledge that you have read and understand this Section XXI

XXII. DISPUTE RESOLUTION

The parties to this Agreement recognize that compliance with the terms of this Agreement and the nature of the Franchisor/Franchisee relationship may give rise to the need to resolve disputes between the parties. Both Franchisee and Franchisor wish to avoid the time, expense and disruption that can result from lawsuits, but they desire to have a method of resolving disputes that is mutually acceptable. For this purpose, the parties expressly agree first to resolve disputes by direct negotiation with each other. If such negotiations fail to reach an agreement, the party dissatisfied with the outcome of negotiations must submit the dispute, within 180 days, to mediation and/or arbitration under this Section XXII, as follows:

A. **Mediation.** Before, and as a necessary condition precedent to, filing a demand for arbitration in accordance with this Agreement, Franchisee and Franchisor shall attempt to settle the dispute through mediation administered by the American Arbitration Association ("AAA") at its office closest in proximity to Franchisor's office in accordance with the Commercial Mediation Rules of the AAA. The filing fee for the proceeding shall be borne by the initiating party. The mediator's compensation and any administrative costs shall be borne equally by both parties. If Franchisee and Franchisor arrive at an agreement through mediation, then that agreement shall be set forth in writing and be binding upon both parties.

B. **Arbitration.** All disputes, controversies, and claims of any kind arising between the parties, including but not limited to claims arising out of or relating to this Agreement, the rights and obligations of the parties, the sale of the franchise, or other claims or causes of action relating to the performance of either party that are unable to be settled through mediation shall be settled by arbitration administered by the AAA at its office closest in proximity to the Franchisor's office, in accordance with the Federal Arbitration Act and the Commercial Rules of the AAA unless the parties otherwise agree in accordance with Section XXII.C of this Agreement.

1. This Section XXII.B shall survive expiration, non-renewal or termination of this Agreement for any reason.

2. The filing fee for the proceeding shall be borne by the initiating party. The arbitrator's compensation and any administrative costs shall be borne equally by both parties.

3. Either party shall have the right to seek a court order granting injunctive relief where such relief is necessary in order to provide protection on a temporary or preliminary basis while the arbitration process is pursued.

4. The parties expressly agree that an arbitrator shall have the power to enter an award, including injunctive relief, protecting its rights to the same extent a court could do so, and such relief shall be enforceable by a court having jurisdiction under Section XXII.E of this Agreement.

5. No arbitration or action under this Agreement shall include, by consolidation, joinder, or any other manner, any claims by any person or entity in privity with or claiming through or on behalf of Franchisee. Franchisee shall not seek to arbitrate or litigate as a representative of, or on behalf of, any other person or entity, any dispute, controversy, and claim of any kind arising out of or relating to this Agreement, the rights and obligations of the parties, the sale of the franchise, or other claims or causes of action relating to the performance of either party to this Agreement.

6. To the fullest extent permitted by law, direct negotiation, followed by mediation and/or binding arbitration, shall be the exclusive means of resolving any and all claims relating to this Agreement, including, but not limited to, claims of breach of contract, breach of the covenant of good faith and fair dealing, fraud, violation of any and all franchise registration, disclosure and/or franchisee protection statutes, regulations, or ordinances, whether federal, state or local, or any other common laws claims.

C. Alternative Procedures. The parties understand that specific disputes may make some flexibility in the foregoing dispute resolution procedures desirable. The parties may modify any of the negotiation, mediation or arbitration procedures as described below, or in any other manner that is mutually agreed:

1. **Dispute Resolution Procedural Rules.** Either party may propose to use a dispute resolution organization other than the AAA, if the proposed organization has rules governing proceedings that are comparable in scope and formality to the AAA Commercial Rules. Under no circumstances shall either of the parties seek to proceed under the AAA Employment Arbitration Rules. The parties may also agree to use a private mediator or arbitrator who would then operate in accordance with the AAA Commercial Rules or a comparable set of rules.

2. **Alternate Venue.** Franchisor's office is typically in an urban area where mediators and arbitrators are available. However, if Franchisee's office is more than 75 miles from Franchisor's office and a reasonable number of experienced mediators and arbitrators are available in Franchisee's location, the parties may agree to conduct the proceedings in Franchisee's location.

3. **Cost Minimization.** If the dispute is a small one, such that the anticipated costs of the dispute resolution (i.e., filing fees and mediator or arbitrator fees, but not party time or attorney's fees) would exceed the amount of the dispute, the parties may seek to resolve the dispute through a local dispute resolution office, including any such office within a local court, which may provide its services at no cost or a nominal cost.

4. **Consolidation of Claims.** Where one or more other franchisees of Franchisor have a dispute that is so nearly identical to a dispute involving Franchisee that Franchisor, Franchisee, and the other franchisee or franchisees agree that it would be prudent to have all of the disputes resolved in a single mediation or arbitration proceeding, Franchisor, Franchisee, and the other franchisee or franchisees may agree in writing to submit the consolidated disputes to mediation and/or arbitration for determination by an arbitrator using the terms of this Article XXII. Such agreement shall only apply to Franchisee and any franchisees directly involved in the consolidated proceedings, and, under no circumstances, shall the arbitrator have the power to determine the legal rights or obligations of any person or party not directly participating in the proceedings.

D. Governing Law. This Agreement, amendments and addenda thereto, and the interpretation and enforcement thereof, and compliance therewith, shall be governed by the internal domestic laws of CALIFORNIA, exclusive of any rules regarding conflict of laws. This agreement has been negotiated and entered into in CALIFORNIA, and calls for performance, in whole or in part, by both of the parties within CALIFORNIA.

E. Jurisdiction and Venue. The parties agree that any arbitration or legal action commenced in connection with this Agreement shall be brought, and jurisdiction and venue shall be proper only, in ALAMEDA COUNTY, CALIFORNIA in which Franchisor has its principal place of business, or to the United States District Court within whose jurisdiction ALAMEDA COUNTY, CALIFORNIA lies, and the parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. This provision contemplates that the parties may proceed in court where an arbitrator does not have jurisdiction, a claim can not be arbitrated as a matter of law, or where there is an action to enforce an arbitral award or an appeal from or relating to arbitration, and does not affect the applicability of Section XXII.B, which requires the parties to submit all claims to binding arbitration. This provision further applies where a party seeks a temporary restraining order or a preliminary injunction ancillary to arbitration proceedings as described in Section XXII.B of this Agreement.

F. Saving Clause. If any provision of this Section XXII would violate applicable state or federal law, then the parties agree that such provision shall be excluded from the terms of this Agreement, or shall be modified to the minimum extent necessary to make the terms hereof lawful.

G. Waiver of Punitive Damages. FRANCHISEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL, OR SPECULATIVE DAMAGES INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS, AND AGREES THAT, IN THE EVENT OF A DISPUTE, FRANCHISEE SHALL BE LIMITED TO THE ACTUAL DAMAGES SUSTAINED EXCEPT AS OTHERWISE PROVIDED HEREIN.

H. Waiver of Jury Trial. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY OF ANY DISPUTE THAT MAY BE BROUGHT IN COURT, REGARDLESS OF WHICH PARTY COMMENCED THE PROCEEDING. NOTHING IN THIS WAIVER IS INTENDED TO IMPLY THAT A DISPUTE IS NOT A PROPER SUBJECT OF MEDIATION AND ARBITRATION.

XXIII. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified mail, return receipt requested, or sent by overnight delivery with confirmation of delivery. Any notice sent by certified mail shall be deemed to have been given at the date and time of mailing. Notices to the respective parties shall be sent to the following addresses unless and until a different address has been designated by notice to the other party:

Notices to Franchisor:

D&G Enterprises, Inc.
dba CleanNet of the Bay Area
Attention: David Crum
333 Hegenberger Road, Suite 806
Oakland, California 94621

Notices to Franchisee:

29596 DIXON ST #49
HAYWARD CA. 94544

XXIV. ADMINISTRATIVE PROVISIONS

A. Severability. Except as expressly provided to the contrary herein, each section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect on, such other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Franchisor determines that such finding of invalidity or illegality adversely affects the basic consideration of this Agreement, Franchisor, at its option, may terminate this Agreement.

B. Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none of the captions shall be deemed to affect the meaning or construction of any provision hereof.

C. References. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all of the parties executing

this Agreement in his individual capacity on behalf of Franchisee. This Agreement may be executed in one or more originals, each of which shall be deemed an original.

D. Definition of Franchisee. As used in this Agreement, the term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law and shall be deemed to include not only the individual or entity defined as the "Franchisee" in the introductory paragraph of this Agreement, but shall also include all partners, members, shareholders, officers and directors of the entity that executes this Agreement. By their signatures hereto, all partners, members, shareholders, officers and directors of the entity that signs this Agreement as Franchisee acknowledge and accept the duties and obligations imposed on each of them, individually, by the terms of this Agreement.

E. Force Majeure. If, as a result of avalanche, blizzard, earthquake, explosion, fire, flood, hurricane, insurrection, lightning, riot, tornado, typhoon, volcanic eruption, war, other unusually severe weather, unavoidable calamity or other act of God ("Force Majeure"), compliance by any party with the terms of this Agreement is rendered impossible or would otherwise create an undue hardship on any party, all parties shall be excused from their respective obligations hereunder for the duration of the event of Force Majeure and for a reasonable recovery period thereafter, but otherwise this Agreement shall continue in full force and effect.

XXV. ENTIRE AGREEMENT

This Agreement, the documents referred to herein and the Attachments hereto, if any, constitute the entire, full and complete Agreement between the parties hereto concerning the subject matter hereof, and supersede all prior written or oral representations or agreements with no other representations having induced Franchisee, except the representations made to Franchisee in Franchisor's Franchise Disclosure Document (including its exhibits and any quarterly updates or amendments). No amendment, change or variance from this Agreement shall be binding on the parties hereto unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

ATTACHMENT A**INITIAL FRANCHISE FEE PRICE SCHEDULE**

Package ³	Monthly Gross Billings	Initial Franchise Fee	If Paid In Full ⁴	Down Payment	Financed Amount	Monthly Payment Amounts *	
						24 Months ¹	36 Months ²
P-6XE	\$500	\$2,950	\$2,655	\$1,400	\$1,550	\$70.82	
P-6	\$500	\$3,250	\$2,925	\$1,700	\$1,550	\$70.82	
P-8	\$667	\$4,400	\$3,960	\$2,300	\$2,100	\$95.95	
P-10	\$883	\$5,400	\$4,860	\$2,800	\$2,600	\$118.79	
P-12	\$1,000	\$5,800	\$5,220	\$3,200	\$2,600	\$118.79	
P-14	\$1,167	\$6,800	\$6,120	\$3,600	\$3,200	\$146.19	
P-18	\$1,500	\$8,500	\$7,200	\$4,500	\$4,000		\$127.20
P-24	\$2,000	\$10,500	\$9,450	\$5,500	\$5,000		\$159.00
P-30	\$2,500	\$11,800	\$10,350	\$6,800	\$5,000		\$159.00
P-36	\$3,000	\$13,500	\$12,150	\$8,500	\$5,000		\$159.00
P-48	\$4,000	\$16,500	\$14,850	\$11,000	\$5,500		\$174.89
P-60	\$5,000	\$18,500	\$16,650	\$12,500	\$6,000		\$190.80
P-72	\$6,000	\$21,500	\$19,350	\$15,500	\$6,000		\$190.80
P-84	\$7,000	\$24,500	\$22,050	\$17,500	\$7,000		\$222.60
P-96	\$8,000	\$27,500	\$24,750	\$20,500	\$7,000		\$222.60
P-120	\$10,000	\$32,000	\$28,800	\$25,000	\$7,000		\$222.60
P-132	\$11,000	\$33,500	\$30,150	\$26,500	\$7,000		\$222.60
P-144	\$12,000	\$35,000	\$31,500	\$28,000	\$7,000		\$222.60
P-156	\$13,000	\$37,500	\$33,750	\$29,500	\$8,000		\$254.40
P-168	\$14,000	\$40,000	\$36,000	\$32,000	\$8,000		\$254.40
P-180	\$15,000	\$42,500	\$38,250	\$34,500	\$8,000		\$254.40
P-192	\$16,000	\$45,000	\$40,500	\$37,000	\$8,000		\$254.40
P-204	\$17,000	\$47,500	\$42,750	\$39,500	\$8,000		\$254.40
P-216	\$18,000	\$50,000	\$45,000	\$42,000	\$8,000		\$254.40
P-228	\$19,000	\$53,000	\$47,700	\$45,000	\$8,000		\$254.40
P-240	\$20,000	\$56,000	\$50,400	\$48,000	\$8,000		\$254.40
P-252	\$21,000	\$59,000	\$53,100	\$51,000	\$8,000		\$254.40
P-264	\$22,000	\$62,000	\$55,800	\$54,000	\$8,000		\$254.40
P-276	\$23,000	\$65,000	\$58,500	\$57,000	\$8,000		\$254.40
P-288	\$24,000	\$68,000	\$61,200	\$60,000	\$8,000		\$254.40
P-300	\$25,000	\$71,000	\$63,900	\$63,000	\$8,000		\$254.40
P-360	\$30,000	\$83,000	\$74,700	\$75,000	\$8,000		\$254.40

¹ This amount is financed for 2 years (24 equal monthly payments) for Packages P-6 through P-14. The principal may be prepaid without penalty.

² This amount is financed for 3 years (36 equal monthly payments) for Packages P-18 through P-360, at 9% per annum interest. The principal may be prepaid without penalty.

³ All packages, with the exception of the P-6XE package, include equipment and chemicals as listed in Attachment C.

⁴ There is a 10% case discount for franchisees who pay the franchisee fee in full.

ATTACHMENT B

PROMISSORY NOTE

FOR VALUE RECEIVED, THE UNDERSIGNED [Esther Estrada Soria] ("Maker") hereby promises to pay to the order of **D&G ENTERPRISES, INC.**, a California corporation doing business as **CLEANNET OF THE BAY AREA** ("Payee") at its office at 333 Hegenberger Road, Suite 806, Oakland, California 94621, or at such other place or to such other party or parties as Payee may periodically designate, in lawful money of the United States, the principal sum of Five Thousand Seven Hundred Dollars (\$ 5700), with interest thereon from the date hereof at the rate of 9% per annum on the unpaid balance of said principal sum until paid; and to pay said principal sum and interest in installments of One hundred eighty one Dollars (\$ 181.26) on the first day of each and every month beginning on 11/1/12, and ending on 11/1/15.

It is agreed that each installment, when paid, shall be credited first toward interest then due and the remainder toward principal, and interest shall thereon cease on the principal then credited. Should the interest not be so paid, it shall, at the sole option of the holder of this note, become a part of the principal and thereafter bear like interest as the principal. Prepayments of principal may be made by Maker at any time with no prepayment penalty.

The acceptance by Payee of any payment, after any default hereunder shall not operate to extend the time of payment on any amount(s) then remaining unpaid hereunder or be considered a waiver of any of the other rights of Payee hereunder.

This Note and all other obligations, direct or contingent, of Maker or endorser hereof to Payee, shall become due and payable immediately at the option of the holder of this Note, without demand or notice on the happening of any of the following events:

1. Maker's failure to pay when due any installment of the principal and interest of this Note.
2. Maker's failure to pay, withhold, collect or remit any tax or tax deficiency when assessed or due.
3. The suspension of the business of Maker, or its making of a general assignment for the benefit of creditors, or its commencement of proceedings for dissolution or liquidation, or the commencement of proceedings under any bankruptcy, insolvency, readjustment of debt or liquidation law or statute of the Federal or State governments or the adjudication as a bankrupt or insolvent, or the involuntary appointment of a receiver, or applications therefore, or its making of a bulk sale or the giving of notice of intention to do so.

If an attorney is employed by the holder of this Note to enforce any of its terms, and if the holder of this Note is successful in such enforcement, then Maker shall pay reasonable costs and attorney's and paralegal's fees incurred by the holder in connection therewith (which are agreed to be 15%, but not in excess of that permitted by applicable law, of the amount owing hereunder and unpaid on demand), and such amount shall be secured hereby.

POWER OF ATTORNEY TO CONFESS JUDGMENT

Makers, and each of them if more than one, hereby authorize any attorney or Clerk of any court to appear for them or any of them in term, time or vacation, at any time after default by the Maker(s) with respect to any of its/their obligations to the Payee (or any violation of the terms of this Guaranty) and confess judgment without process in favor of the Payee, against the Makers, or any of them, for such amount as may appear to be owing and unpaid hereunder, together with all costs, expenses and 15% for attorney's fees for collection, and hereby waive all rights to stay of execution and exemption under any applicable law. This confession of judgment shall not be applicable to any loan made for a consumer or personal purpose, as opposed to a business, commercial or investment purpose. The provisions of this paragraph pertaining to power to confess judgment shall not be exhausted by a single use thereof, but shall continue to be legally effective in subsequent uses thereof.

The undersigned shall all be deemed Makers and will be jointly, severally, and individually liable as Makers along with any and all Guarantors of the debt secured hereunder.

This Note is to be construed in accordance with the laws of California. All legal proceedings for the enforcement and/or interpretation of this Promissory Note shall be brought in and venue and jurisdiction shall be proper only in the state courts located in Alameda County, California, or in the Federal Courts within whose jurisdiction Alameda County, California lies.

WITNESS OUR HANDS AND SEALS this 13th day of September, 2012.

MAKER M^{rs} Esther Estrada P.

SEAL _____

MAKER _____

SEAL _____

MAKER _____

SEAL _____

GUARANTY OF PAYMENT

In consideration of the promises made by **D&G ENTERPRISES, INC.**, a California corporation doing business as **CLEANNET OF THE BAY AREA** ("Payee") in the foregoing Promissory Note, and creating the liabilities of Maker(s), as set forth therein, the undersigned, intending to be legally bound hereby, do hereby jointly and severally (if more than one), guarantee to Payee unconditionally, at all times, the punctual payment at maturity, by acceleration or otherwise, or on demand, by Maker(s) of any and all sums of money for which the payee now is or may hereafter become indebted to Payee, and the full and faithful performance of all liabilities of Maker(s) to Payee.

This Guaranty shall be a continuing one and shall bind the undersigned and their respective successors, heirs, executors and administrators, irrespective of the lack of any advance notice or consent of the undersigned, for their obligations hereunder, and such obligations shall not be impaired in any manner whatsoever by any:

- (a) New or additional agreements or obligations of the Maker(s) with or to Payee; amendments, extensions, modifications, renewals or waivers of default as to any existing or future obligation or agreements of Maker(s) or third parties with or to Payee or extensions of credit by Payee to Maker(s); or delay by Payee in enforcing any of its rights or remedies against Maker(s) or any other persons;
- (b) Adjustments, compromises or releases of any obligations of Maker(s), undersigned, or other parties or changes, releases, sales of or failure to perfect or any other impairment of any security interest held by Payee for any obligations of Maker(s);
- (c) Fictitiousness, incorrectness, invalidity, or unenforceability for any reason of any instrument or writing, or acts of commission or omission by Payee or Maker(s);
- (d) Compositions, extensions, discharge in bankruptcy, compromise of debts in any bankruptcy reorganization or in any agreement with Maker(s), stays in bankruptcy or other relief granted to Maker(s) pursuant to any statute presently in force or hereafter enacted, or
- (e) Interruptions in business relations between the Payee and the Maker(s).

Payee shall not be obligated to first enforce or resort to any other remedies it may have for the payment of any indebtedness covered by this Guaranty before the undersigned become liable hereunder. The liability of Maker(s) and each of the undersigned, if more than one, shall be joint and several.

Notice of acceptance and all other notices that would or might otherwise be necessary or proper in connection herewith are hereby expressly waived.

This Guaranty shall not be terminable by any of the undersigned so long as any sums owing to Payee by Maker(s) remaining outstanding and unpaid.

Guaranty – Page 1

CleanNet-CA (Bay Area)-0312

I have read, understood and agree with the statements on this page as written. Initial Here: E E

The undersigned shall reimburse Payee on demand for all expenses, including, but not limited to reasonable attorney's and paralegal's fees (which are agreed to be 15%, but not in excess of that permitted by applicable law, of the amount owing hereunder and unpaid on demand) incurred by Payee in the enforcement or attempted enforcement of any of Payee's rights hereunder against any of the undersigned. If Maker(s) shall default in the performance of any of Maker(s)' obligations to Payee, and if any third party (other than the undersigned) makes any payment to Payee with respect thereto, such third party shall, to the extent thereof, and after all obligations of Maker(s) to Payee have been paid, be subrogated to any of Payee's rights against the undersigned hereunder.

POWER OF ATTORNEY TO CONFESS JUDGMENT

The undersigned, and each of them if more than one, hereby authorize any attorney or Clerk of any court to appear for them or any of them in term, time or vacation, at any time after default by Maker(s) with respect to any of its/their obligations to Payee (or any violation of the terms of this Guaranty) and confess judgment without process in favor of Payee, against the undersigned, or any of them, for such amount as may appear to be owing and unpaid hereunder; together with all costs, expenses and 15% for attorney's fees for collection, and hereby waive all rights to stay of execution and exemption under any applicable law. This confession of judgment shall not be applicable to any guaranteed loan made for a consumer or personal purpose, as opposed to a business, commercial or investment purpose. The provisions of this paragraph pertaining to power to confess judgment shall not be exhausted by a single use thereof, but shall continue to be legally effective in subsequent uses thereof. In any event, however, if the principal amount of the loan for which judgment is obtained hereunder is \$50,000 or less, such judgment shall not constitute a lien on any **California** real property that is the residence of any of the undersigned.

This Guaranty shall be deemed to have been made in **California**, and shall be interpreted in accordance with the laws of **California**. As part of the consideration for Payee's advance of funds to the Maker(s), the undersigned agree that all actions or proceedings arising directly or indirectly from this Guaranty shall, at Payee's option, be litigated in courts having a situs within **Alameda County, California**, and the undersigned consent to the jurisdiction of any state or federal court located therein.

If any part of this Guaranty shall be adjudged invalid or not enforceable as of any term of court, then such partial invalidity or unenforceability shall not cause the remainder of this Guaranty to be or to become invalid or unenforceable, and if a provision hereof is held invalid or unenforceable in one or more of its applications, the parties hereto agree that said provisions shall remain in effect in all valid or enforceable applications that are severable from the invalid or unenforceable application(s).

None of the terms and provisions of this Guaranty shall be waived, altered or amended except by writing duly signed by an appropriate officer of Payee and by the undersigned. The use of singular herein may also refer to the plural, and vice versa and the use of the neuter or any gender shall be applicable to any other gender or the neuter. This Guaranty is contended to be a contract of suretyship.

The undersigned, and, if more than one, each of the undersigned, acknowledge that the persons signing this Guaranty are all of the persons who are intended to have signed, and that no other signers are relied on by the undersigned.

WITNESS OUR HANDS AND SEALS this 13th day of September, 2012

GUARANTOR: M.^{rs} Esther Estrada SEAL _____

GUARANTOR: _____ SEAL _____

GUARANTOR: _____ SEAL _____

ATTACHMENT D

EQUIPMENT LEASE AGREEMENT

This Equipment Lease Agreement is made by and between **D&G ENTERPRISES, INC.**, a California corporation doing business as **CLEANNET OF THE BAY AREA** ("Lessor"), and _____ ("Lessee") on _____, 20__ "Effective Date").

Lessor and Lessee agree as follows:

1. Leased Equipment

Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the following equipment:

<u>Make</u>	<u>Description</u>	<u>Model</u>	<u>Serial Number</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

2. Lease Term and Rent

This Lease shall become effective immediately on execution by the parties and shall remain effective for a period of _____ months following delivery of the equipment to the Lessee. Either on execution of this Agreement or on delivery of the equipment, Lessee shall pay Lessor the following:

- A. First Month's Rent: \$ _____
- B. Last Month's Rent: \$ _____
- C. Sales Tax: \$ _____
- D. Other: \$ _____
- E. Total Amount Due: \$ _____

If the commencement date of this Lease shall be a date other than the first day of a month, rent for the first month shall be prorated from the commencement date to the end of the month. Thereafter, all payments shall be due on the first day of each consecutive month in the amount of \$ _____ plus \$_ sales tax for a total monthly payment of \$ _____.

Lessee's total rent obligation for the entire period of this Lease including all monthly payments, sales tax, and payments made at the commencement of this Lease is \$ _____

3. **Estimated Equipment Value at End of Term**

For purposes of setting Lessee's end of term liability, in the event the equipment shall become lost, stolen or for any reason shall not be returned, the estimated value of the equipment at the end of this Lease term is \$ _____.

4. **Acceptance/Inspection**

Lessee acknowledges that it has fully inspected and accepted the equipment in good condition and repair. At all times during business hours, Lessor shall have the right to inspect the equipment and observe its use. Lessee shall not make any alterations, additions or improvements to the equipment without prior written consent of Lessor.

5. **Use and Maintenance**

Lessee shall use the equipment solely in the conduct of its business and in a careful, lawful and proper manner consistent with the requirements of all applicable laws and insurance policies relating to the equipment. Lessee, at its own expense, will keep and maintain the equipment in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear resulting from proper use thereof alone accepted, and Lessee will provide all maintenance and service and make all necessary repairs.

6. **Warranties**

LEASOR, NOT BEING THE MANUFACTURER OF THE EQUIPMENT NOR THE MANUFACTURER'S AGENT, MAKES NO EXPRESS OR IMPLIED WARRANTY OF ANY KIND WHATSOEVER WITH REGARD TO THE EQUIPMENT, INCLUDING, BUT NOT LIMITED TO: THE MERCHANTABILITY OF THE EQUIPMENT OR ITS FITNESS FOR ANY PARTICULAR PURPOSE; THE DESIGN OR CONDITION OF THE EQUIPMENT; THE QUALITY OR CAPACITY OF THE EQUIPMENT; THE WORKMANSHIP IN THE EQUIPMENT; COMPLIANCE OF THE EQUIPMENT WITH THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO; PATENT INFRINGEMENT; OR LATENT DEFECTS. LEASOR AND LEASEE AGREE THAT THIS LEASE CONSTITUTES A COMMERCIAL TRANSACTION.

7. **Withholding of Payments**

If Lessee has entered into a Franchise Agreement with Lessor, Lessee agrees that Lessor may deduct any amounts due to Lessor pursuant to this Lease Agreement from amounts payable to Lessee under any such Franchise Agreement.

Safety For Custodians	1 each
Basic Restroom Cleaning	1 each
Daily Floor Maintenance	1 each
High Speed Floor Maintenance	1 each
* High Speed Floor Maintenance Machine Method	1 each
Stripping/Waxing	1 each
Basic Carpet Cleaning I	1 each
Basic Carpet Cleaning II	1 each
* Quality Control	1 each
* Accident Prevention	1 each
Blood Borne Pathogens I & II W/ OSHA Review	1 each

Note:

All of the DVDs listed, with the exception of the three DVD's indicated by (*), are available in both English and Spanish. We provide the English-language version of each DVD. The Spanish-language version, if available, will be provided on request at no additional cost.

ATTACHMENT E

LEGAL ENTITY INFORMATION SHEET & GUARANTY AGREEMENT

Name and Type of Legal Entity: _____

State/Date of Formation: _____

Shareholders/Partners/Members: _____

_____ % Interest	_____ Class/General or Limited Partner/Member	_____ Name
---------------------	---	---------------

_____ % Interest	_____ Class/General or Limited Partner/Member	_____ Name
---------------------	---	---------------

_____ % Interest	_____ Class/General or Limited Partner/Member	_____ Name
---------------------	---	---------------

_____ % Interest	_____ Class/General or Limited Partner/Member	_____ Name
---------------------	---	---------------

_____ % Interest	_____ Class/General or Limited Partner/Member	_____ Name
---------------------	---	---------------

<u>Documents:</u>	<u>Not Applicable or Not Required</u>	<u>Already Provided</u>	<u>To Be Provided Within 30 Days</u>
Certificate / Articles of Incorporation (corp.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Certificate / Articles of Partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Certificate / Articles of Organization (LLC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
By-Laws (corp.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shareholder Buy-Sell Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Partnership Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Operating Agreement (LLC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution Authorizing Franchise Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<i>Conditions:</i>	<i>Yes</i>	<i>No</i>
<hr/> (or another person with Franchisor's written consent) must act as the legal entity's principal operating officer, member or partner (Section XII.D.2)	<input type="checkbox"/>	<input type="checkbox"/>
The legal entity's activities must be confined exclusively to operating the Area Business (Section XII.D.3)	<input type="checkbox"/>	<input type="checkbox"/>
Each stock certificate, membership certificate, certificate of interest or other evidence of ownership must include the statement specified in Section XII.4)	<input type="checkbox"/>	<input type="checkbox"/>
Each shareholder, member, partner or other principal must sign the Guaranty Agreement (Section XII.6)	<input type="checkbox"/>	<input type="checkbox"/>
The legal entity must maintain a current list of all shareholders, members, partners and other beneficial owners, and must furnish the list to Franchisor on request (Section XII.7)	<input type="checkbox"/>	<input type="checkbox"/>

8. **Damage or Loss of Equipment**

All risk of loss, damage, theft or destruction of the equipment shall be borne by Lessee, which agrees to promptly notify Lessor of any such casualty. At Lessor's option, Lessee shall either repair the equipment; replace the equipment with like kind and quality; or shall pay Lessor the fair market value of the equipment plus an amount equal to all unpaid rent due with respect to the equipment, less any amounts received by Lessor from insurance.

9. **Insurance**

Lessee will, at its own expense, insure the equipment at all times against all hazards, and such policy of insurance shall be payable to Lessor. Lessee shall furnish Lessor with sufficient proof of such insurance and Lessor may act as attorney for Lessee in making, adjusting or settling any claims under any insurance policies insuring the equipment. Lessee assigns to Lessor all of its right, title and interest to any insurance policies insuring the equipment, including all rights to receive the proceeds of insurance not in excess of the unpaid obligations under this Lease, and directs any insurer to pay all such proceeds directly to Lessor and authorizes Lessor to endorse Lessee's name on any draft for such proceeds. Lessee will, at its own expense carry public liability insurance with respect to the equipment in such amounts and with such insurers as are reasonably satisfactory to Lessee and such insurance policies shall also name Lessor and insure it thereunder.

10. **Option to Purchase**

Provided Lessee has fully performed its obligations under this Agreement and is then in compliance, Lessee shall have the option within ten (10) days after the expiration of this Agreement, by written notice to Lessor, to purchase the leased equipment for its end of term fair market value. Such value shall be agreed on between the parties or, in the event agreement cannot be reached, such value shall be fixed by an independent professional appraisal at Lessee's expense.

11. **Default**

This Lease shall be considered in default if any of the following occurs:

- a. Lessee fails to pay rent within ten days of date due.
- b. Lessee fails to observe or perform any other provision of this lease.
- c. Lessee becomes insolvent, declares bankruptcy, appoints a receiver, dissolves, or dies.

In the event of default, Lessor may exercise any one or more of the following remedies:

- a. Take possession of the equipment by peaceful means, without demand or notice. Lessee hereby waives any and all damages occasioned by Lessor's taking of possession.

- b. To declare the entire amount of rent hereunder immediately due and payable without notice or demand to Lessee;
- c. To terminate this Lease;
- d. To pursue any other remedy available under the law.

Notwithstanding any repossession, or any other action that Lessor may take, Lessee shall remain liable for the full performance of all of its obligations under this Lease. Such remedies are cumulative and may be exercised concurrently or separately. Lessee shall pay Lessor all costs and expenses, including reasonable attorney's fees, incurred by Lessor in exercising any of its rights or remedies hereunder, or in enforcing any of the terms, conditions or provisions hereof.

13. Assignment

Lessee may not assign this Lease without written consent of Lessor. Lessor may assign this Lease with written notice to the Lessee.

14. Indemnity

Lessee shall indemnify Lessor against, and hold Lessor harmless from any and all claims, actions, suits, proceedings, costs, expenses, damages and liabilities, including attorney's fees, arising out of or connected with or resulting from the equipment, including without limitation the manufacture, selection, delivery, possession, use, condition, design, operation or return of the equipment. This Lease is the sole, complete and exclusive agreement between Lessee and Lessor for the equipment being leased hereunder. Any alterations to this Agreement must be made in a writing signed by Lessee and Lessor.

Intending to be legally bound, the parties have executed this Lease on the Effective Date.

LEASOR:

D&G ENTERPRISES, INC.
DBA CLEANNET OF THE BAY AREA

By: _____
Printed Name: _____
Title: _____

LEASEE:

By: _____
Printed Name: _____
Title, if any: _____

DELIVERY RECEIPT

Leasee hereby acknowledges receipt and delivery of all of the equipment described above in good order and condition on _____, 20__.

LEASEE:

Printed Name: _____

Title, if any: _____

ATTACHMENT F

CONFIDENTIALITY AGREEMENT

In consideration of employment in a telemarketing sales Quality control General office staff other capacity, offered by _____ (“Employer”), an authorized CleanNet franchisee, the undersigned _____ (“Employee”), hereby agrees as follows:

1. Receipt of Confidential Information

Employee acknowledges that, in and as a result of his employment or continued employment hereunder, he/she will receive, use, acquire, view, or otherwise make use of, proprietary or confidential information of special and unique nature and value relating to such matters as CleanNet’s and/or Employer’s trade secrets, systems, procedures, manuals, pricing information, training information, videotapes, confidential reports and lists of clients, as well as the nature and type of franchising, building maintenance and/or other services rendered by Employer, the equipment and methods used and preferred by Employer’s clients, fees paid by such clients and other information considered confidential. As a material inducement to Employer to enter into this Agreement, and to pay to Employee the agreed compensation, Employee agrees as follows:

Employee Initials _____

2. Non-Disclosure of Confidential Information.

Employee covenants and agrees that he/she shall not, at any time during or following the term of his/her employment hereunder, directly or indirectly, divulge or disclose, for any purpose whatsoever, any confidential information that has been obtained by or disclosed to him/her because of his/her employment by Employer.

Employee Initials _____

3. Use, Possession, and Return of Materials.

Employee agrees not to make use of any confidential information except in the course and scope of employment; not to copy or distribute any confidential information to any 3rd party that is not authorized to receive confidential information, and to return any materials in his/her possession on completion of assignment or termination of employment.

Employee Initials _____

4. Non Interference/Non Competition.

While employed and after termination of employment for any reason, Employee agrees as follows:

- (a) Employee will not contact, or attempt to contact, any customer, employee, franchisee except as directed in the course and scope of employment or in any way interfere in the business relationships of Employer;

- (b) For a period of two years after termination of employment, Employee will not compete with Employer within a 50-mile radius of the office where employed, whether as an employee, independent contractor, consultant, partner, director, or in any other capacity whatsoever;
- (c) Employee will not induce, or attempt to induce any employee of Employer to leave employment with Employer, nor will employee hire or attempt to hire any employee of Employer;
- (d) Employee will not induce, or attempt to induce any franchisee of CleanNet to change its relationship with CleanNet, or recruit or attempt to recruit any franchisee of CleanNet for any purpose whatsoever.

5. Injunctive Relief.

In the event of a breach or threatened breach by the Employee of any of the provisions of this agreement, Employer, in addition to and not in limitation of any other rights, remedies or damages available to Employer at law or in equity, shall be entitled to a permanent injunction in order to prevent or to restrain any such breach by Employee, or by Employee's partners, agents, representatives, servants, employers, employees and/or any and all persons directly or indirectly acting for or with him.

Employee specifically acknowledges having read this agreement, and having received a copy thereof.

Printed Name: _____

Date: _____

ATTACHMENT H

TRANSFER OF SERVICE AUTHORIZATION

If my CLEANNET Franchise is transferred, terminated, expires or is not renewed for any reason, I hereby irrevocably appoint and designate D & G Enterprises, Inc. as my attorney-in-fact to: (1) direct any telephone company to change, transfer and/or terminate any and all listed telephone numbers used in conjunction with the Franchised Business, and (2) direct any Internet service provider or comparable Internet authority to change, transfer and/or terminate any email addresses, domain names or other comparable electronic identities relating to the Franchise. I also hereby agree that D & G Enterprises, Inc. may execute any legal document on my behalf to carry out the intent of this consent and authorization.

FRANCHISEE:

Printed Name: _____
Title (if any): _____

[FOR USE BY NEW CUSTOMER ONLY]

I hereby assume and agree to pay all charges outstanding on the following telephone number(s):

or the following domain name(s):

or the following email address(es):

New Customer's Signature

Printed Name of New Customer

ATTACHMENT IFRANCHISE PACKAGE MODIFICATION (UPGRADE/DOWNGRADE) ADDENDUM

THIS ADDENDUM is made and entered into by and between **D & G ENTERPRISES, INC.**, a corporation organized under the laws of the State of California, whose principal place of business is 333 Hegenberger Road, Suite 806, Oakland, CA 94621 ("Franchisor") and Esther V. Estrada Segura ("Franchisee"), on 09/13, 2012

WHEREAS, Franchisor and Franchisee entered into a franchise agreement dated 7/17, 2010 ("Franchise Agreement") relating to the Franchisee's operation of a **CLEANNET** business offering janitorial services and building maintenance and related services ("Franchised Business"); Franchisee selected certain CleanNet Franchise Package(s) and now wishes to change to a different CleanNet Franchise Package.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Change of CleanNet Franchise Package.

Under the Franchise Agreement, Franchisee selected CleanNet Franchise Package(s), including any subsequent upgrades, downgrades, and/or other addenda, amounting to the # P-12 level, with total gross monthly billing of \$ 1000. In accordance with the CleanNet Franchise Packages listed in the *Initial Franchise Fee Price Schedule*, the Franchise Agreement is hereby modified to reflect Franchisee's choice of a new CleanNet Franchise Package:

TABLE 1

PACKAGE SIZE	GROSS MONTHLY BILLING	TOTAL FRANCHISE FEE	DOWN PAYMENT	FINANCED PORTION (NOTE)
CURRENT PACKAGE LEVEL P-12	1000	5800		
UPGRADE OR DOWNGRADE LEVEL P-48	4000	16500		
DIFFERENCE	3000	10,700	5,000	5700

FULL UPGRADE: If the new franchise package has a higher initial franchise fee, Franchisee must pay the Difference in Table 1 to Franchisor upon the execution of this Addendum, either by payment in full, or by a down payment and issuance of a promissory note as indicated below. If the new franchise package has a higher initial franchise fee, Franchisor will provide the number of additional customer accounts necessary to correspond with Franchisee's new franchise package. Franchisor will provide the new accounts to the Franchisee in accordance with the timetable set forth in the Franchise Agreement. Franchisor shall receive credit for all customer accounts previously provided to Franchisee in accordance with the

Franchise Agreement in determining the Difference, and shall not look only to the monthly billing of active Franchisee accounts at the time of this Addendum.

PARTIAL UPGRADE: At Franchisor's discretion, if Franchisee has received more customer accounts, or accounts with an aggregate monthly billing amount in excess of the package purchased by Franchisee, Franchisee may be partially upgraded. Based on a mutual agreement between Franchisor and Franchisee any excess business over Franchisee's current package will be divided into two groups. *Group One* contracts, as listed in Table 2, with corresponding service charges, will be upgraded using the method as indicated in the Table 1 above. *Group Two* contracts as listed in Table 3, are contracts that Franchisor and Franchisee have mutually agreed not to consider in upgrading Franchisee at this time. However, Franchisee has agreed to additional royalties as indicated in Table 3 solely for the RIGHT to service these accounts. *Group Two* accounts will have the additional royalty service charge applied to them as long as Franchisee is servicing them or until, at the sole discretion of Franchisor, Franchisee has been upgraded for those accounts or Franchisee has been removed from said *Group Two* accounts, or any of such accounts.

Any loss of accounts in *Group One* shall not affect the additional royalty of *Group Two* contracts. Any loss of accounts in *Group Two* shall not affect any note payment obligation based on an upgrade as a result of *Group One* contracts or any other previous note obligations. Furthermore, any loss of *Group Two* accounts will not obligate Franchisor to replace such accounts. Any further or future upgrade of the franchise package will be based on Franchisee's then current status, including *Group One* and excluding *Group Two* accounts.

GROUP ONE ACCOUNTS
TABLE 2

Account Name	Monthly Contract Amount
NONE	

GROUP TWO ACCOUNTS
TABLE 3

Account Name	Monthly contract amount	Additional Royalty %
NONE		

DOWNGRADE: If the new franchise package has a lower initial franchise fee, Franchisor may refund the Difference in the two amounts to Franchisee concurrently with the execution of this Addendum, either by immediate payment and/or by partial forgiveness or cancellation of any outstanding promissory note of Franchisee. If the new franchise package has a lower initial franchise fee, Franchisor will withdraw the corresponding amount of Franchisee's customer accounts necessary to correspond with Franchisee's new franchise package.

2. Compensation to Franchisor

In consideration of the change in the franchise package as described and agreed above, for soliciting the janitorial customer accounts, for the use of the Marks, and for the other services provided by Franchisor, Franchisee agrees to pay Franchisor the franchise fee(s) as stated above, in the following manner:

CASH PAYMENT IN FULL OF:

DOWN PAYMENT AND INSTALLMENTS AS FOLLOWS AS A RESULT OF FULL UPGRADE OR PARTIAL UPGRADE.

- a. \$ 5,000 upon execution of this Agreement.
- b. \$ 5700, to be paid in 36 equal monthly installments of \$ 181.26 each, which includes interest on the unpaid principal amount at the rate of 9% per annum. The first installment of principal and interest shall be paid on 11/1/12. Installments shall thereafter be paid on the 25TH day of each consecutive month until full payment is received.
- c. Franchisee shall pay to Franchisor the following ongoing amounts under the terms of the Franchise Agreement:
 1. A royalty fee of five percent (5%) of all gross monthly billings of Franchisee's janitorial customer accounts.
 2. A management fee of ten percent (10%) of all gross monthly billings of Franchisee's janitorial customer accounts.

3. Promissory Note

UPGRADE: If Franchisee wishes to finance a portion of the franchise fee as indicated in Paragraph 2, Franchisee shall issue a promissory note for the balance, in the form and manner prescribed by Franchisor.

DOWNGRADE: If Franchisee has financed a portion of the previous franchise fee, Franchisor shall adjust and/or cancel any outstanding promissory note to compensate Franchisee for the difference in the two amounts subsequent to the execution of this Addendum.

4. No Further Modification of Franchise Agreement.

Except as expressly modified by the provisions hereof, the Franchise Agreement shall remain unmodified and in full force and effect.

5. Release of Prior Claims

By executing this Agreement, Franchisee, individually and on behalf of Franchisee's heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its officers, directors, employees, agents, and servants, including Franchisor's parent, subsidiary and affiliated corporations, entities and persons, their respective shareholders, owners, members, officers, directors, employees, agents and servants, and each of their successors and assigns, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties, executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement on the day and year first above written.

FRANCHISOR:

D & G ENTERPRISES, INC.

By: Yilma Vega
Printed Name: Yilma Vega
Title: Directa franquicia Dept

FRANCHISEE:

PARTNER:

By: M^{rs} Esther Estrada S
Printed Name: Esther Estrada Sagora
Title, if any: _____

By: Vanessa Ruiz E.
Printed Name: Vanessa Ruiz Estrada.
Title, if any: _____

ATTACHMENT J

ASSIGNMENT OF FRANCHISE AGREEMENT

THIS ASSIGNMENT OF FRANCHISE AGREEMENT ("Assignment") is entered into among D & G Enterprises, Inc. ("Franchisor"), _____ ("Franchisee/Assignor") and _____ ("Assignee").

WHEREAS, Franchisor and Franchisee/Assignor entered into the P- CleanNet Franchise Agreement dated _____, 20__ ("Agreement"), under which Franchisor granted to Franchisee/Assignor a license to operate a business (the "Franchise").

WHEREAS, Franchisee/Assignor desires to assign the Agreement to Assignee, together with all of the rights, benefits, privileges, duties and responsibilities attendant therewith; such assignment to be final, and to once and for all discharge and bring to an end all duties and responsibilities of Franchisee/Assignor to Franchisor in accordance with the terms of the Agreement, and in accordance with the terms of any Promissory Note signed by Franchisee/Assignor in favor of Franchisor.

WHEREAS, Assignee desires to purchase the Franchise and take assignment of the Agreement from the Franchisee/Assignor; Assignee recognizes that Assignee is assuming all duties and obligations of Franchisee as stated in the Agreement; Assignee agrees that Assignee shall remain solely liable for performance of the Agreement in each and every respect and in accordance with each and every term set forth therein, and agrees and acknowledges that Franchisee/Assignor shall hereafter have absolutely no duties, responsibilities or liabilities to Franchisor arising under said Agreement; and Assignee hereby agrees to accept the Assignment including, but not limited to all duties, responsibilities, privileges, conditions, terms and benefits of Franchisee/Assignor, as if Assignee had signed and originally entered into the Agreement with Franchisor.

WHEREAS, this Assignment is subject to Franchisor's prior approval, as reserved to Franchisor under the Agreement; this Assignment between Franchisee/Assignor and Assignee shall not take effect until such time as it is approved by Franchisor, as signified by Franchisor's signature below; and the parties hereto agree that Franchisor has already fully performed all obligations referred to in said Agreement with respect to provision of accounts sufficient to meet Franchisor's obligations under the Agreement.

WHEREAS, Assignee acknowledges that absolutely no payment or consideration has been paid or transferred from Assignee to Franchisor in order to obtain Franchisor's approval of this Assignment.

NOW, THEREFORE, in consideration of the premises, and the mutual covenants and agreements set forth above and below, Franchisee/Assignor, Assignee and Franchisor agree as follows:

1. The parties hereto agree that the recitals above are a contractual part of this Assignment. This Assignment, once executed by Franchisee/Assignor and Assignee, shall become effective immediately upon written approval by Franchisor, which approval shall be evidenced by Franchisor's authorized signature below.

2. Assignee shall pay to Franchisee/Assignor the sum of \$[] in lawful currency of the United States, or by certified check or cashier's check acceptable to Franchisee/Assignor.

3. Franchisee/Assignor shall turn over to Assignee all keys, passes, and other materials necessary to permit Assignee to immediately begin performing cleaning services for the various building accounts included in the assigned Franchise.

4. Franchisee/Assignor shall receive credit for all proceeds for work done and accounts serviced in accordance with the Agreement through [] only, and credit for all proceeds and fees for work done and accounts serviced under the Agreement shall thereafter be credited to the Assignee.

5. The accounts currently included in the franchise being assigned include, and are strictly limited to the accounts listed on Exhibit A.

6. Assignee will execute a promissory note, in the form attached as Exhibit B, in favor of Franchisor, for the full amount of all outstanding principal and interest remaining due by Franchisee/Assignor to Franchisor as of the date hereof. Unless otherwise agreed between Assignee and Franchisor, the interest rate, monthly payments and payoff date of the new promissory note shall remain the same as the promissory note previously given to Franchisor by Franchisee/Assignor.

7. Franchisor and Assignee agree that the original Agreement, including but not limited to any amendments, addenda, upgrade or downgrade agreements (the original or a copy of which is attached as Exhibit C), with a term ending on [] is the binding franchise agreement between the parties. Except as expressly modified or amended herein, the provisions of the Agreement apply, and will continue to apply, with full force and effect.

8. Assignee shall execute any and all necessary agreements, authorizations and/or assurances with the Franchisor or others, to procure the necessary insurance coverage required for operation of the Franchise in accordance with the terms of the Agreement.

9. All remaining items of equipment and/or chemicals and/or other products which were supplied by Franchisor to Franchisee/Assignor in connection with the original purchase of the Franchise, shall be turned over to Assignee.

10. Franchisee/Assignor shall pay to Franchisor the assignment fee stated in the Agreement in the amount of \$[].

11. Assignee represents, acknowledges and agrees that all initial training to be provided by Franchisor has already been given, and that Assignee is not entitled to any of the initial training to be provided by Franchisor in accordance with the Agreement.

12. Franchisee/Assignor shall provide Assignee with 1 day of training on proper procedures and methods for cleaning and servicing the franchisee's accounts, to commence within three days after Franchisor's approval of this Assignment.

13. This Assignment and the interpretation and enforcement thereof, and compliance therewith, shall be governed by the internal domestic laws of the State of [Maryland], exclusive of any rules regarding conflict of laws. This Assignment has been negotiated and entered into in

the State of [Maryland], and calls for performance, in whole or in part, by both of the parties within the State of [Maryland].

14. The parties agree that any action brought by or against Franchisor in connection with this Assignment, or any other dispute arising between Franchisor and either Franchisee/Assignor or Assignee, shall be resolved in accordance with the dispute resolution procedures contained in the Agreement. Franchisor shall also have such rights as are described in the Agreement to enforce the restrictive covenants contained in the Agreement. Venue for any dispute resolution or court proceedings shall be as described in the Agreement.

15. This Assignment sets forth the full and entire agreement between Assignee and Franchisee/Assignor and may not be supplemented, altered or amended unless done so in writing signed by Assignee and Franchisee/Assignor, and approved in writing by Franchisor.

16. Franchisee/Assignor and Assignee jointly and severally, release, remise, discharge, hold harmless, and indemnify Franchisor, its directors, shareholders, members, owners, officers, employees, agents, assigns, and successors, and any parent or affiliated person or entity, and each of its or their directors, shareholders, members, owners, officers, employees, agents, assigns, and successors whether acting in a personal or corporate capacity, from any and all actions, arising from any cause and causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, premises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, including, but not limited to any actions or causes arising out of this Assignment, the execution or termination of the Agreement, lost profits, wages, interest or finance charges, , in law or in equity, which against said Franchisor, Assignee or Franchisee/Assignor, or either of them, ever had, now has, or which Assignee's or Franchisee/Assignor's heirs, executors, administrators, successors or assigns hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this Assignment.

WHEREFORE, Franchisee/Assignor and Assignee hereby acknowledge and affirm that they have read and fully understand each and every term of this Assignment of Franchise Agreement; that they are authorized and empowered to sign this document; and they represent that they have voluntarily set their hands and seals hereto on this __ day of _____ 20__.

FRANCHISEE/ASSIGNOR:

ASSIGNEE:

By: _____ (SEAL)

By: _____ (SEAL)

Printed Name: _____

Printed Name: _____

Title, if any: _____

Title, if any: _____

APPROVAL BY FRANCHISOR

Franchisor hereby grants its approval to the foregoing Assignment of Franchise Agreement in accordance with all terms and representations set forth therein, this ____ day of _____, 2010.

FRANCHISOR:

D & G Enterprises, Inc.

By: _____

Printed Name: _____

Title: _____

Authorized CleanNet Representative