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7 **STATE OF WASHINGTON**  
8 **KING COUNTY SUPERIOR COURT**

9 STATE OF WASHINGTON,

10 Plaintiff,

11 v.

12 NATIONAL MAINTENANCE  
13 CONTRACTORS, LLC; NMC  
14 FRANCHISING, LLC; MARSDEN  
15 HOLDING, LLC; and ENCORE ONE,  
16 LLC,

17 Defendants.

NO.

COMPLAINT FOR INJUNCTIVE AND  
OTHER RELIEF

18 This action arises out of Defendants' violations of the Consumer Protection Act, RCW  
19 19.86, and the Franchise Investment Protection Act, RCW 19.100, in connection with the  
20 marketing, sale, and operation of janitorial franchises in Washington. Defendants have lured  
21 hundreds of vulnerable, low-wage consumers into investing thousands of dollars in up-front  
22 and ongoing monthly fees to buy janitorial franchises based on false promises, including that  
23 they will be their own boss and can build a profitable business. To the contrary, many  
24 unsuspecting franchisees instead have come to discover that they paid a great deal of money—in  
25 some cases, their life savings—essentially to buy cleaning jobs for which they earn less than  
26 the minimum wage. The State files this enforcement action to prevent and remedy Defendants'  
unfair and deceptive business practices and vindicate the public interest.

1 The State alleges the following on information and belief:

2 **I. JURISDICTION AND VENUE**

3 1.1 The State of Washington files this Complaint to enforce the Consumer Protection  
4 Act, RCW 19.86 (CPA), and the Franchise Investment Protection Act, RCW 19.100 (FIPA). The  
5 Court has jurisdiction under these statutes as well as RCW 2.08.010 and RCW 7.24.010.

6 1.2 Venue is proper in King County pursuant to RCW 4.12.020 and 4.12.025.

7 1.3 Defendants engage in the conduct set forth in this Complaint in King County,  
8 where they transact business, and where their principal place of business in Washington is  
9 located.

10 **II. PLAINTIFF**

11 2.1 Plaintiff is the State of Washington.

12 2.2 The Attorney General is authorized to commence this action pursuant to RCW  
13 19.86.080, RCW 19.86.140, and RCW 19.100.210 to address practices that violate the Consumer  
14 Protection Act and/or the Franchise Investment Protection Act relating to the marketing, sales,  
15 and operation of franchises in the State of Washington.

16 **III. DEFENDANTS**

17 3.1 Defendant National Maintenance Contractors, LLC (NMCL) is a Delaware  
18 limited liability company formed in April 2006, which does business in Washington State under  
19 the name “National Maintenance” or “National Maintenance Contractors.”

20 3.2 NMCL’s principal place of business is located at 7409 SW Tech Center Dr., Suite  
21 100, Tigard, OR 97223.

22 3.3 Prior to March 16, 2020, NMCL’s principal place of business was located at 1801  
23 130th Avenue NE, Bellevue, WA 98005.

24 3.4 Defendant NMC Franchising, LLC (NMC Franchising) is a Delaware limited  
25 liability company formed in April 2011, which does business in Washington State under the  
26 name “National Maintenance” or “National Maintenance Contractors.”

1           3.5     NMC Franchising’s principal place of business is located at 7409 SW Tech  
2 Center Dr., Suite 100, Tigard, OR 97223.

3           3.6     Prior to July 30, 2020, NMC Franchising’s principal place of business was  
4 located at 1801 130th Avenue NE, Bellevue, WA 98005.

5           3.7     Defendant Marsden Holding, LLC (Marsden) is a Delaware limited liability  
6 company, which does business in Washington State under the name “Marsden Services” or  
7 “Marsden Northwest.”

8           3.8     Marsden is the sole member and owner of both NMCL and NMC Franchising.

9           3.9     Marsden’s principal place of business is located at 2124 University Avenue West,  
10 Saint Paul, MN 55114.

11          3.10    Defendant Encore One, LLC (Encore) is a Delaware limited liability company,  
12 which does business in Washington State under the name “NMC Franchising” and/or “National  
13 Maintenance Contractors.”

14          3.11    Encore is the parent company and owner of Marsden.

15          3.12    Encore’s principal place of business is located at 10350 Bren Rd W., Minnetonka,  
16 MN 55343.

17          3.13    In client contracts, IRS forms, and other documentation, Encore is identified as  
18 “Encore One LLC dba NMC Franchising LLC.”

19          3.14    Clients of NMCL and NMC Franchising located in Washington remit payments  
20 due under their service contracts directly to Encore.

21          3.15    Remittances due to Washington franchisees enrolled by NMCL and/or NMC  
22 Franchising are issued by Encore directly to the franchisees.

23          3.16    Fees paid by franchisees to NMC Franchising are forwarded directly to Marsden  
24 for deposit.

25          3.17    In business dealings with clients and franchisees, NMC Franchising employees  
26 represent they are agents of Marsden as well as NMC Franchising.

1           3.18 Marsden and Encore consent to and, with knowledge, approve of, direct, and  
2 control the policies, practices, and acts of NMC Franchising and NMCL described herein,  
3 including through the placement of their directors and officers in key positions at those  
4 subsidiaries. For example:

- 5           a. Guy Mingo simultaneously served as the Chief Executive Officer for  
6 NMCL, NMC Franchising, and Marsden.
- 7           b. Craig Flom simultaneously served as a director of NMCL, NMC  
8 Franchising, and Marsden, and an officer of Encore.
- 9           c. Sita Morantz and Damon Fraser simultaneously served as officers of  
10 NMCL, NMC Franchising, and Marsden.

11           3.19 For purposes of this Complaint, any references to the acts and practices of  
12 Defendants NMCL, NMC Franchising, Marsden, and/or Encore (collectively, National) shall  
13 mean that such acts and practices occur by and through the acts of Defendants' members, owners,  
14 directors, employees, salespersons, representatives, and/or other agents, and are attributable to  
15 each Defendant.

#### 16                           **IV. NATURE OF TRADE OR COMMERCE**

17           4.1 Defendants, at all times relevant to this action, have been engaged in trade or  
18 commerce within the meaning of RCW 19.86.010(2).

#### 19                           **V. FACTUAL ALLEGATIONS**

##### 20           **A. ENCORE AND MARSDEN'S BUSINESS OPERATIONS IN WASHINGTON**

21           5.1 Encore is a Minnesota-based holding company that "invests in middle-market  
22 businesses located in the U.S."<sup>1</sup> Encore "is a long-term investor committed to taking excellent  
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25           <sup>1</sup> Craig Flom – President & CEO – Encore Once, L.L.C., LINKEDIN.COM,  
26 <https://www.linkedin.com/in/craig-flom-779b95b> (last accessed Apr. 5, 2021).

1 care of its portfolio companies,” which provide, among other things, “facility services (including  
2 janitorial, building maintenance, specialty property, and HVAC services).”<sup>2</sup>

3 5.2 Encore assists the management teams of its portfolio companies with evaluating  
4 and structuring follow-on acquisitions.<sup>3</sup> “To promote the continued success of its portfolio  
5 companies,” Encore “prudently capitalize[s] them and continually reinvest[s] in them.”<sup>4</sup>

6 5.3 Encore “preserve[s] each company’s legacy, including its culture, people and  
7 business name.”<sup>5</sup>

8 5.4 In 2002, Encore acquired Minnesota-based Marsden, “suppl[ying] Marsden  
9 Holding with a significant amount of equity to be able to grow the company through further  
10 acquisitions and geographic expansion.”<sup>6</sup>

11 5.5 Marsden is “one of the largest privately-owned facility service providers in the  
12 United States.”<sup>7</sup> Beginning in 2002, Marsden began “strategically acquiring building  
13 maintenance” companies in select markets across the U.S.<sup>8</sup>

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18 <sup>2</sup> *Id.*

19 <sup>3</sup> *Id.*

20 <sup>4</sup> *Id.*

21 <sup>5</sup> *Id.*

22 <sup>6</sup> Dan Weltin, *Special Report – The Case for Vendor Consolidation* (Mar. 19, 2016),  
23 <https://www.marsden.com/special-report-the-case-for-vendor-consolidation/> (last accessed Apr. 5, 2021).

24 <sup>7</sup> About Marsden Office Cleaning, MARSDEN.COM, <https://www.marsden.com/about-us/> (last accessed  
25 Apr. 5, 2021).

26 <sup>8</sup> Sell Your Company, MARSDEN.COM, <https://www.marsden.com/acquisitions/> (last accessed Apr. 5,  
2021).

1           5.6       As the map published by Marsden on  
2 its website (copy on the right) indicates, Marsden  
3 operates in every region in the U.S.

4           5.7       In 2006, Marsden acquired the assets  
5 of National Maintenance Contractors, Inc. and  
6 “ent[ered] into janitorial franchising.”<sup>9</sup> At the time,  
7 Marsden reported “\$90 million in revenue, operating  
8 in 10 states.”<sup>10</sup>

9           5.8       “With each large acquisition,  
10 Marsden Holding has decided to forego the national  
11 model of buying a company and incorporating it into  
12 another faceless branch. Instead, each company that  
13 Marsden Holding acquires retains its original name, character, and existing staff.”<sup>11</sup>

14          5.9       Consistent with this, when Marsden acquired then Bellevue-based franchisor,  
15 National Maintenance Contractors, Inc., in 2006, it formed NMCL (National Maintenance  
16 Contractors, LLC) to replace National Maintenance Contractors, Inc.<sup>12</sup>

17          5.10      In purchasing National Maintenance Contractors, Inc., Marsden bought a  
18 company that had previously been investigated by the State for violations of the Consumer  
19 Protection Act and Franchise Investment Protection Act, resulting in a Consent Decree entered  
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22                   <sup>9</sup> Marsden Holding, *Managing Risk During Periods of Rapid Growth* (July 2018),  
23 <https://www.aesa.us/events/SLC/2018slc/managingrisk.pdf> (last accessed Apr. 5, 2021).

24                   <sup>10</sup> *Id.*

25                   <sup>11</sup> *Supra* note 6.

26                   <sup>12</sup> In 2011, Marsden replaced NMCL with NMC Franchising, as discussed below.

1 by this Court in 1992.<sup>13</sup> As part of the Consent Decree, the Court found that National  
2 Maintenance Contractors, Inc.:

- 3 a. misrepresented to franchisees the monthly amount of money they would  
4 earn under the franchise agreement;
- 5 b. failed to disclose to potential franchisees that a substantial percentage of  
6 its franchisees that the company described as “active” were not currently  
7 working;
- 8 c. failed to adequately disclose its account replacement policy;
- 9 d. misrepresented to potential franchisees that it would replace accounts for  
10 franchisees and failed to do so;
- 11 e. misrepresented to potential franchisees that it would buy back or resell  
12 franchises;
- 13 f. misrepresented or failed to disclose to prospective franchisees material  
14 facts relating to replacements for franchisees who were too ill to work or  
15 wished to take time off for vacation;
- 16 g. failed to meaningfully disclose material facts to prospective franchisees  
17 who did not have the necessary English language skills to understand  
18 information provided in writing;
- 19 h. took accounts away from franchisees without providing written or prior  
20 notice, and failed to give franchisees a reasonable opportunity to cure;
- 21 i. de-facto terminated franchise agreements by failing to assign new client  
22 accounts to franchisees without providing written or prior notice, and  
23 failed to give franchisees a reasonable opportunity to cure;
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25 <sup>13</sup> Consent Decree, *State of Washington v. National Maintenance Contractors, Inc., et al.*, King County  
26 Superior Court, Cause No. 92-2-24870-1 (filed Oct. 26, 1992).

1 j. unfairly discriminated between franchisees by requiring some but not  
2 others to pay additional fees;

3 k. unfairly failed to refund all or portions of a franchise fee in cases where it  
4 failed to provide a franchisee with the promised full monthly gross  
5 income figure.

6 5.11 National Maintenance Contractors, Inc. disclosed the Consent Decree to Marsden  
7 in their Asset Purchase Agreement.

8 5.12 Despite their knowledge of the Consent Decree and the business practices that  
9 led to its entry by this Court against National Maintenance Contractors, Inc., Encore and  
10 Marsden nevertheless chose not to depart from their acquisition strategy of preserving National  
11 Maintenance Contractors, Inc.'s legacy, culture, and character.

12 **B. NATIONAL'S BUSINESS MODEL**

13 5.13 National is a provider of commercial cleaning services. Its sales agents market  
14 and sell its janitorial, window, floor, and other cleaning services to commercial property owners  
15 and managers (Clients). National's Clients include or have included banks, medical offices,  
16 warehouses, and other commercial businesses, as well as municipal, state, and federal  
17 government agencies.

18 5.14 National's agents typically submit bids to prospective Clients, and/or enter into  
19 negotiations for the type of service to be provided and the compensation rate. National then  
20 enters into a contract with the Client, which typically specifies the types of services to be  
21 provided, their frequency, the location of the premises, and the compensation to be paid to  
22 National. Most of National's contracts allow the Client to cancel National's services for any  
23 reason upon 30 days' notice to National.

24 5.15 National's agents recruit workers to provide cleaning services to clients under  
25 National's brand name. Instead of hiring these workers and classifying them as employees,  
26 National requires them to enroll in its janitorial franchising system.



1           5.16     National's franchise system provides for two tiers of franchisees: master  
2 franchisees (also known as "CoreZ") and unit franchisees (also known as "MicroZ").

3           5.17     Master, or CoreZ, franchisees market and sell cleaning and maintenance related  
4 services to be performed by MicroZ franchises, and recruit, train, and support MicroZ  
5 franchisees. National's target demographic for its CoreZ franchises are consumers who are  
6 proficient speakers of English, with skills in sales and management.

7           5.18     National maintains full control over the content of all marketing materials used  
8 by master franchisees in their business.

9           5.19     National also maintains full control over the financial transactions between and  
10 among Clients, master franchisees, and unit franchisees.

11          5.20     Despite the fact that master franchisees obtain and acquire client cleaning  
12 accounts for assignment to unit franchisees, master franchisees are not in contractual privity with  
13 unit franchisees; National contracts directly with both master franchisees and unit franchisees.  
14 Further, master franchisees are prohibited from selling any services or products to, or collecting  
15 any money for any reason from, unit franchisees.

16          5.21     At all relevant times, National's master franchisees have acted as agents and/or  
17 joint venturers of National, and in acting as alleged herein did so within the course and scope of  
18 such agency.

19          5.22     In certain territories, at certain times, National did not or does not have a master  
20 franchisee. In those cases, for any unit franchisee(s) operating within the territory, National  
21 performs the activities it otherwise might delegate to a master franchisee.

22               **1.     Unit Franchisees**

23          5.23     The main responsibility of a MicroZ franchisee is to clean the client properties  
24 assigned to them by National.

25     / / /

26     / / /

1           5.24     The vast majority of National's MicroZ franchisees are not proficient in English  
2 at the time they purchase their franchise, have little or no prior knowledge of franchising, and  
3 limited formal education.

4           5.25     The vast majority of National's MicroZ franchisees did not have legal counsel or  
5 a professional English interpreter in connection with their franchise purchase.

6           5.26     Throughout the remainder of this Complaint, the term "franchisee" refers to a  
7 MicroZ franchisee, unless otherwise specified.

8           5.27     Since 2006, National has enrolled hundreds of Washingtonians into its  
9 franchising system, using its form MicroZ franchise agreement.

10          5.28     The types of services performed by franchisees for National's clients include, but  
11 are not limited to, dusting, sweeping, vacuuming, cleaning and disinfecting restrooms, emptying  
12 waste receptacles, mopping floors, cleaning countertops and tables, waxing floors, and cleaning  
13 carpets. Some franchisees also provide window-cleaning services.

14           **2.       Fees for Unit Franchises**

15          5.29     National requires its franchisees to pay large fees, in the thousands of dollars, in  
16 order to perform cleaning work for National's clients.

17          5.30     National charges MicroZ franchisees an Initial Franchise Fee to receive the right  
18 to provide services to one or more National client accounts that equals one or more "Business  
19 Units." A Business Unit is equal to \$1,000 in monthly "Gross Sales." The Initial Franchise Fee  
20 is five times the number of Business Units purchased by the franchisee.

21          5.31     Thus, to receive the right to service enough Client accounts to earn a gross pay  
22 of \$1,000 per month, the franchisee pays National an Initial Franchise Fee of \$5,000. The  
23 following table depicts, on the left, the initial investment amount a franchisee must pay to buy a  
24 desired monthly gross revenue amount, on the right, at the ratio of 5:1 used by National.

25     / / /

26     / / /

<b>Initial Franchise Fee</b>	<b>Gross Monthly Revenue</b>
\$5,000	\$1,000
\$10,000	\$2,000
\$15,000	\$3,000
\$20,000	\$4,000
\$25,000	\$5,000

5.32 National does not disclose to prospective franchisees how many hours of work they have to perform to attain the monthly gross pay offered by National.

5.33 In addition to the Initial Franchise Fee, National charges franchisees a monthly, non-refundable Royalty Fee in the amount of 10%, and a monthly, non-refundable Office Support Fee in the amount of 14%, totaling 24% of the franchisees' gross monthly earnings.

5.34 Thus, a franchisee who purchases one Business Unit can expect to receive a maximum of \$760 per month, instead of the \$1,000 nominally set out in the Franchise Agreement.

5.35 In or about 2011, National formed NMC Franchising and induced franchisees to convert their NMCL franchises to NMC Franchising franchises.

5.36 Prior to 2011, National charged franchisees a Royalty in the amount of 6%, an office management fee in the amount of 13%, and a liability insurance premium in the amount of 1%, totaling 20% of the franchisee's gross monthly earnings.

5.37 Prior to 2011, at the franchisee's option, the franchisee could purchase an account replacement guarantee, in which case National would withhold a total of 25% of the franchisee's gross monthly earnings. In exchange, National promised to replace any account volume lost for any reason other than the franchisee's default or breach of the Franchise Agreement, or, alternatively, refund a portion of the franchise fees to the franchisee. In documents presented to franchisees, National referred to this guarantee as a "lifetime account guarantee."

5.38 Most franchisees who were given the option, chose to purchase National's "lifetime account guarantee."

5.39 Thus, in addition to the thousands of dollars franchisees “invest” on the front end to buy into the National franchise system, they also pay ongoing, high monthly fees to National, losing up to a quarter of the monthly revenue they purchase. The following tables depict the maximum amount franchisees can actually earn after National deducts its monthly fees.

## Before 2011

Gross Monthly Revenue	\$1,000	\$2,000	\$3,000
Royalty Fee	-6%	-6%	-6%
Office Management Fee	-13%	-13%	-13%
Liability Insurance Premium	-1%	-1%	-1%
Lifetime Account Guarantee (optional)	-5%	-5%	-5%
Total after fees:	\$750	\$1,500	\$2,250

## After 2011

<b>Gross Monthly Revenue</b>	<b>\$1,000</b>	<b>\$2,000</b>	<b>\$3,000</b>
Royalty Fee	-10%	-10%	-10%
Office Support Fee	-14%	-14%	-14%
<b>Total after fees:</b>	<b>\$760</b>	<b>\$1,520</b>	<b>\$2,280</b>

5.40 Franchisees are not parties to the contracts between National and its clients.

5.41 National maintains control over all client financial transactions, billing, and information relating to its client contracts. National does not provide MicroZ franchisees with access to such information. All communications with clients are handled and controlled by National, either directly or through a master franchisee, except for routine service requests which

1 sometimes are communicated directly to the franchisee worker who performs the cleaning at the  
2 client's premises.

3 5.42 National collects all amounts due from clients under its client contracts.

4 5.43 At regular, semi-monthly intervals, National remits to the franchisee the amount  
5 it has designated as the franchisee gross pay for each client account serviced by the franchisee  
6 during the preceding month, less a deduction for National's franchising fees, including the  
7 "office support" fee and royalty, as discussed above. For franchisees who finance their franchise  
8 enrollment fee, renewal fee, and/or equipment purchase, National also deducts the applicable  
9 monthly payment. National provides franchisees with a remittance statement, reflecting the  
10 amounts remitted and the amounts withheld.

11 5.44 National's standard initial franchise term is five years. After the expiration of the  
12 initial term, a franchisee may renew the franchise for an additional five years by paying a renewal  
13 fee to National equal to 20% of the cumulative purchase price (i.e. Initial Franchise Fee) paid by  
14 the franchisee for the National accounts they service at the time of renewal.

15 5.45 Franchisees also can transfer their franchise volume to other franchisees, subject  
16 to certain conditions, including National's approval, and payment by the seller franchisee to  
17 National of a transfer fee in the amount of 20% of the purchase price if National finds the buyer,  
18 or 10% of the purchase price if the franchisees locate the buyer.

### 19 **3. Standards of Conduct for Franchisees**

20 5.46 As part of its operations, National creates and implements franchise policies,  
21 procedures, and standards of conduct, markets the franchises to consumers, and maintains  
22 oversight over the operation of such franchises.

23 5.47 National requires its franchisees to follow its standards, policies, and procedures.

24 5.48 National claims that it does not evaluate the performance of services by  
25 franchisees. National claims that it merely advises franchisees, whom it characterizes as  
26

1 independent business owners, regarding any operational issues brought to its attention by clients,  
2 and provides franchisees with guidance.

3 5.49 In reality, National's agents (Operations Coordinators) routinely inspect client  
4 premises, supervise the work performed by franchisees, and discipline franchisees for work  
5 deemed unsatisfactory by the agent. National's discipline measures include verbal or written  
6 warnings, monetary fines, and, in some cases, removal from client accounts. National  
7 characterizes such events as a default by the franchisee of their obligations under the Franchise  
8 Agreement.

9 5.50 In some cases, as part of such disciplinary measures, National unilaterally reduces  
10 the franchisee's account volume entitlement under the Franchising Agreement. In doing so,  
11 National fails to refund to the franchisee any portion of the franchise fees paid to National to  
12 purchase such volume.

13 5.51 According to National, when its Operations Coordinators fine franchisees for  
14 work deemed unsatisfactory, the fine represents the expense associated with bringing another  
15 cleaner to perform the deficient work, at a rate of \$20 to \$25 per hour, with a two-hour minimum.

16 5.52 National does not adhere to the same pricing structure when offering cleaning  
17 accounts to franchisees.

18 5.53 Most, if not all, National franchisees make significantly less than \$25 per hour  
19 for their cleaning work.

20 **C. DEFENDANTS' UNFAIR AND/OR DECEPTIVE BUSINESS PRACTICES IN**  
21 **VIOLATION OF CPA AND FIPA**

22 **1. National's Failure to Adequately Disclose Material Facts to Prospective**  
23 **Franchisees**

24 5.54 Many of National's prospective franchisees are low-wage workers who, as  
25 National is aware, speak little to no English, have limited formal education, and no prior  
26 franchise experience.

1           5.55     When meeting with such prospective franchisees, National's agents persuade  
2 them to invest thousands of dollars to enroll in the system, with promises that they will be their  
3 own boss and can build their own profitable franchise business. Rather than be a mere employee,  
4 National sells them on the promise and possibilities of business ownership.

5           5.56     But National's franchisees are not their own boss.

6           5.57     Despite National's representations that by owning their own business, franchisees  
7 can control their own work and hours, the reality is that National requires its franchisees to  
8 remain on call and available to National and its clients every day.

9           5.58     In some cases, National and/or its clients require work to be performed within a  
10 specific two- to four-hour window.

11          5.59     National's agents at times direct franchisees to perform specific tasks during  
12 particular timeframes, or risk losing their account.

13          5.60     National sometimes charges franchisees a monetary fine for work deemed  
14 unsatisfactory.

15          5.61     National does not disclose the degree of control it asserts over the franchisees'  
16 work and hours, or the possibility of fines for work deemed unsatisfactory, to prospective  
17 franchisees prior to enrollment.

18          5.62     Further, in explaining that franchisees make an initial investment according to the  
19 gross monthly revenue level they wish to achieve, National fails to disclose how many client  
20 accounts the franchisee will need to service, or how many hours the franchisee will need to work,  
21 in order to earn the desired gross monthly revenue level.

22          5.63     As a result, many franchisees are not aware that the amount of work they will  
23 need to perform to earn their desired gross monthly revenue volume will mean that, in many  
24 instances, they will be working for less than the hourly minimum wage.

25     / / /

26     / / /

1           5.64     According to U.S. Bureau of Labor Statistics data, in May 2019, Washington was  
2 one of the top paying states for individuals working as janitors and cleaners, with an hourly mean  
3 wage of \$17.62.<sup>14</sup>

4           5.65     In 2019, the hourly minimum wage in Washington was \$12.00 per hour.<sup>15</sup>

5           5.66     Thus, many of National's prospective franchisees would actually earn more by  
6 seeking employment as janitors and cleaners than by paying National thousands of dollars to  
7 become unit franchisees.

8           5.67     Had National disclosed how many client accounts the franchisee would need to  
9 service, or how many hours the franchisee would need to work, in order to earn the desired gross  
10 monthly sales level, many vulnerable, prospective franchisees would have avoided paying  
11 thousands of dollars to earn less than the minimum wage.

12           **2.     National's Failure to Provide Franchisees with Monthly Volume of Business**  
13 **Purchased**

14           5.68     When enrolling a franchisee into its system, National represents that it will  
15 provide the franchisee enough client accounts to generate a specific amount of monthly gross  
16 sales.<sup>16</sup>

17           5.69     National's Initial Franchise Fee is based on National's representation of the  
18 monthly gross revenue the franchisee expects to achieve.

19     / / /

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22           <sup>14</sup> U.S. Bureau of Labor Statistics, Occupational Employment and Wages, *37-2011 Janitors and*  
23 *Cleaners, Except Maids and Housekeeping Cleaners* (May 2020), <https://www.bls.gov/oes/current/oes372011.htm>  
(last accessed Apr. 5, 2021).

24           <sup>15</sup> Washington State Dep't of Labor & Indus., *History of Washington State's Minimum Wage*,  
25 <https://www.lni.wa.gov/workers-rights/wages/minimum-wage/history-of-washington-states-minimum-wage> (last  
26 accessed Apr. 5, 2021).

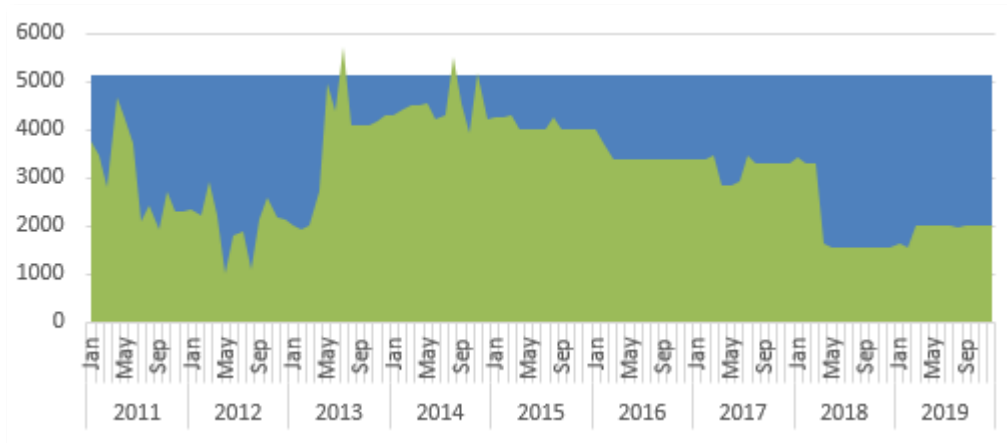
<sup>16</sup> "Monthly gross sales" sometimes are referred to as "monthly gross revenue" or "account volume."



1           5.70     Based on National's representations, when enrolling into National's system,  
2 franchisees understand that National will provide them enough client accounts to generate the  
3 monthly gross revenue they purchased for the duration of their franchise term.

4           5.71     In many instances, National fails to provide its franchisees with enough client  
5 accounts to achieve the monthly gross revenue level they purchased with their initial investment.  
6 In the worst cases, franchisees operate under volume for months on end, only further  
7 compounding the economic harm of earning sub-minimum wage as a National franchisee.

8           5.72     As an example, the graph below depicts the monthly account volume of one  
9 National franchisee from 2011 through 2019. The monthly gross sales volume purchased by this  
10 franchisee is represented in blue. Despite this franchisee's plea to National that "I need  
11 desperately new accounts," the area in green depicts the gross amount of remittances provided  
12 by National to this franchisee over time.



21           5.73     To make matters worse, at the time National enrolled at least some of its hundreds  
22 of franchisees, National did not have sufficient client account volume to fulfill the monthly gross  
23 income purchased by the franchisees enrolled in National's franchise system within the same  
24 territory.

25           5.74     In fact, at certain times, National enrolled new franchisees into its system when  
26 existing franchisees in the same territory were under volume.

1           5.75     National fails to disclose this fact to prospective franchisees.

2           5.76     National's contracts with its clients allow clients to terminate National's services  
3 on 30 days' notice for any reason.

4           5.77     As a result, National's franchisees often lose cleaning accounts without cause or  
5 an opportunity to cure.

6           5.78     National represents to prospective franchisees that it will provide them with  
7 replacement accounts if they lose an account through no fault of their own.

8           5.79     National offers franchisees new accounts on a first-come-first-served basis.

9           5.80     In some cases, franchisees are unable to accept an account offered by National  
10 because another franchisee accepted the account first.

11          5.81     In some cases, franchisees are unable to accept accounts because they cannot  
12 perform the work during specified times, including because they do not have enough time to  
13 travel from one cleaning account to another, or for religious reasons.

14          5.82     National counts declined account offers against its obligation to provide the  
15 franchisee with the account volume the franchisee purchased.

16          5.83     National fails to provide many of its franchisees with sufficient cleaning accounts  
17 to fulfill the gross account volume the franchisees purchased from National.

18          5.84     National also fails to refund the initial or renewal franchisee fees paid by such  
19 franchisees to National in proportion to the volume shortfall.

20          5.85     At the same time, National provides some franchisees with accounts that put them  
21 over their purchased volume. In such cases, National offers the franchisee an opportunity to keep  
22 the additional volume on the condition that the franchisee pay National a corresponding  
23 additional initial franchise fee. National advises the franchisee that if they decline, the excess  
24 volume will be returned to National's "available accounts inventory" to be offered to other  
25 franchisees who are under their purchased monthly volume. Notably, National pays no  
26 commensurate restitution to franchisees for each month that it keeps them under-volume.

1           5.86     When franchisees complain that they are under volume, National's agents advise  
2 them that in every business, there is a risk of loss if a customer decides to cancel, and that NMC  
3 is exposed to this risk as well as its franchisees.

4           5.87     However, in National's franchise system, franchisees have no means of  
5 controlling or mitigating this risk, because they have no opportunity to participate in the bidding  
6 or contracting process.

7           **3.       National's Failure to Disclose to Franchisees its Earnings on Client Account**  
8 **Contracts and Client Account Underbidding**

9           5.88     National conceals from franchisees the amounts it receives from clients for  
10 cleaning services.

11          5.89     National does not provide franchisees with copies of its contracts with its clients.

12          5.90     National offers cleaning accounts to franchisees at gross monthly pay rates  
13 approximately 10-30% lower than what the client pays National, and that is before National  
14 deducts its royalties and office support fees from the franchisees' gross monthly pay.

15          5.91     In some cases, National increases its contract price charged to its client but fails  
16 to make any commensurate adjustments in the compensation it remits to the franchisee for their  
17 services.

18          5.92     For example, National's contract with one of its clients specified that, from  
19 October 2018 through October 2019, National was to receive \$3,330.00 per month for regular  
20 janitorial services, five times per week, at a Redmond medical office. On October 28, 2018,  
21 National offered this account to one of its franchisees at a gross rate of pay in the amount of  
22 \$2,660.00 per month. The franchisee accepted, and continued to receive \$2,660.00 gross  
23 (\$2,021.60 net) for work performed on this account through at least March 2020.

24          5.93     Meanwhile, in November 2019, National advised its client that as of January  
25 2020, it would increase its monthly billing rates for several of the client's locations, including  
26 an increase for the Redmond office to \$4,434.15 per month. No portion of this increase was

1 reflected in the gross pay remitted from January 2020 through at least March 2020 to the  
2 franchisee who performed the cleaning work at this location.

3 5.94 National prohibits franchisees from discussing finances with National's clients.

4 5.95 National denies franchisees any opportunity to participate in the client account  
5 bidding or contracting process.

6 5.96 National presents client accounts to franchisees on a take-it-or-leave-it basis.

7 5.97 At the same time, National also underbids accounts.

8 5.98 National requires its franchisees to solely bear the expenses associated with most  
9 of the services provided to National's clients, such as travel expenses, wages, liability and  
10 workers' compensation insurance, business and occupation taxes, payroll services, and  
11 equipment purchase and maintenance. National also expects all franchisees to pay for their own  
12 parking, even when cleaning accounts are located in areas with high public parking rates.

13 5.99 National fails to ensure that, in bidding for client contracts, its agents adhere to a  
14 reasonable, standardized formula for estimating the time and effort required to perform the  
15 services.

16 5.100 This practice results in unfair and arbitrary treatment of franchisees, some of  
17 whom are compensated for comparable services at disparate rates. In this way, National  
18 unreasonably and arbitrarily discriminates between franchisees without any basis relating to the  
19 timing of their franchise acquisition.

20 5.101 National's sales agents offer cleaning services to prospective clients at prices that  
21 are too low to support the fees charged by National and the expenses borne by the franchisee in  
22 connection with providing such services.

23 5.102 For some client accounts, National provides the client a breakdown of the time it  
24 estimates the cleaning worker would spend on specific tasks in making its bid. In many cases,  
25 National's estimates are staggeringly low.

1           5.103   For example, in some of its contract bids, National included the following item:

2                   General Kitchen cleaning:

- 3                   • Clean and disinfect all counters
- 4                   • Clean and disinfect outside of all cabinets
- 5                   • Clean and disinfect outside of all appliances
- 6                   • Clean and disinfect sink and fixtures
- 7                   • Clean and disinfect tables and counters in lunch room/eating area
- 8                   • Dry mop/wet mop to remove all spills and stains on floor

9           5.104   In at least one instance, National estimated a total of 3 minutes for the janitor to

10           perform all of these tasks, with a frequency of once per week.

11           5.105   In other bids that contained a similar line item and scope of work, National's time

12           estimates ranged from 5 minutes, to 8 minutes, to 10 minutes.

13           5.106   In another bid, National estimated 6 minutes for the janitor to perform all of the

14           following tasks, twice per week:

15                   Dust, wipe, spot clean, and remove finger prints to include:

- 16                   • Reception area tables, counters, chairs, and windows
- 17                   • Copy room counters and tables
- 18                   • General hallways and corridor walls
- 19                   • File cabinets
- 20                   • Stairwell walls and hand rails
- 21                   • Spot clean all smudges, stains and spills as needed on any flooring or open
- 22                   surface
- 23                   • Remove cobwebs

24           5.107   National expressly directs its franchisees to spend more time cleaning in order to

25           do a thorough job daily. National does so, even as it informs franchisees that they are not under

26           contract to spend any specific amount of time at any location.

27           / / /

28           / / /

29           / / /

1           5.108 In some cases, National requires franchisees to perform additional work, such as  
2 cleaning up after parties or events, which is outside the scope of the client's contract with  
3 National, and outside the duties which National described to the franchisee at the time the  
4 franchisee accepted the account. For example, when one franchisee complained to National  
5 about the several hours of additional work required to clean up after a large party one Client  
6 hosted at their office, National responded, ". . . it is still our responsibility to clean up after their  
7 party. . . . although it is more work than normal we still must do the work. . . . By [not] cleaning  
8 last night you are in default of the contract. Any future incidents will have serious consequences  
9 which could include being back charged or being removed from the account."

10  
11           Unfortunately, it is still our responsibility to clean up after their party. They are infrequent and although it is more work  
12           than normal we still must do the work. I've asked them to leave a note for you a day or two before their event from now  
13           on so you will know and only come after they are done.  
14           By bit cleaning last night you are in default of the contract. Any future incidents will have serious consequences which  
15           could include being back charged or being removed from the account.

16           5.109 In some cases, National declines to pay franchisees for this additional work.

17           5.110 At the same time as National offers such grossly underbid accounts to franchisees,  
18 National counts client accounts a franchisee fails to accept against National's account volume  
19 obligation to the franchisee.

20           5.111 This practice creates enormous pressure on franchisees to accept accounts that  
21 are severely underbid, or too geographically remote for the franchisee to service profitably.

22           5.112 This further contributes to many franchisees essentially performing cleaning  
23 work for less than the minimum wage.

24           5.113 For example, in June 2014, National offered a franchisee the opportunity to clean  
25 a bank location near Martha Lake, Washington, with premises exceeding 1,700 square feet, for  
26 a total gross pay of \$208.20 per month for 6-day-per-week service.

/ / /

/ / /

1 5.114 Meanwhile, National's contract with the client specified that, as of September  
2 2010, National was to receive \$268.20 per month for regular janitorial services at the Martha  
3 Lake location.

4 5.115 After National applies its 24% withholdings, the franchisee servicing this account  
5 would receive \$158.20 per month. This averages to approximately \$6.59 per visit.

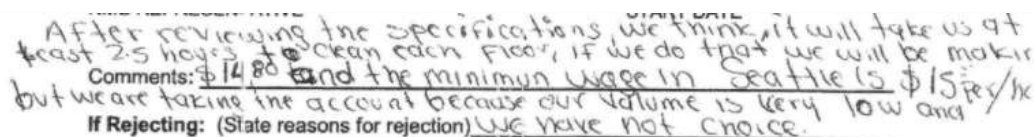
6 5.116 In 2014, the minimum wage in Washington was \$9.32 per hour.

7 5.117 Another franchisee complained to National in October 2017:

8 WF [Wells Fargo] west Yakima I make \$375 I do 25 visits  
9 takes me like 1 1/2 to 2 hr to do it I make less then [sic] \$10  
10 dollars a visit. Naches banner bank \$196 a month 13 visits  
11 takes me like 1 hr to do it and 45 mts on road both ways  
making like \$ 8 dollars hr on tha[t] account.

12 5.118 In 2017, the minimum wage in Washington was \$11.00 per hour.

13 5.119 Another franchisee informed National that: "After reviewing the specifications,  
14 we think it will take us at least 2.5 hours to clean each floor, if we do that we will be making  
15 \$14.80 and the minimum wage in Seattle is \$15per hr, but we are taking the account because our  
16 volume is very low and we have not [sic] choice."

17  
18 A handwritten note on lined paper. The text reads: "After reviewing the specifications we think it will take us at least 2.5 hours to clean each floor, if we do that we will be making \$14.80 and the minimum wage in Seattle is \$15 per hr but we are taking the account because our volume is very low and we have not choice." Below this, it says "If Rejecting: (State reasons for rejection) We have not choice." The note is written in blue ink.  
19  
20

21 5.120 These unfair and deceptive practices are enabled by National's lack of  
22 transparency in its dealings with franchisees with respect to client account bids and prices.

23 **4. National's Practice of Charging Franchisees Unfair and Unreasonably**  
24 **Excessive "Office Support" Fees**

25 5.121 Prior to 2011, National charged franchisees a monthly "office support" fee in the  
26 amount of 13% of the franchisee's gross account pay for accounts provided by National.

1           5.122   After 2011, National increased its “office support” fee to 14%. This fee is  
2 mandatory and non-refundable.

3           5.123   The office support services provided by National in exchange for the “office  
4 support” fee are its customer billing and collection services.

5           5.124   National represents to franchisees that it will handle all client account billing.

6           5.125   The amount of work required of National in connection with client billing is not  
7 dependent on the dollar amount of the client’s contract or the amount of work required to clean  
8 each account.

9           5.126   Given this, it is neither fair nor reasonable for National to set its office support  
10 fee as a percentage of the franchisee’s gross pay, instead of an amount commensurate with the  
11 office support service National actually provides franchisees.

12          5.127   Moreover, National maintains its system of billing clients and remitting funds to  
13 franchisees for its own benefit, not for the benefit of franchisees. National’s exclusive control  
14 over client and franchisee remittances relieves National of any need to pursue collection from  
15 franchisees, and deprives franchisees of any opportunity to withhold fee payments to National  
16 in the event of National’s default or breach of contract.

17          5.128   National represents to franchisees that one of the benefits of its system is that  
18 franchisees do not have to collect payments from clients directly, because National handles that  
19 work on behalf of the franchisee.

20          5.129   However, National does not pursue collection efforts against past due client  
21 accounts beyond issuance of monthly billing statements.

22          5.130   Buried in the fine print within National’s form Franchise Agreement, in Section  
23 5.K., is the statement that, “In the event we are unable to collect on the amounts owed, you [the  
24 franchisee] are responsible for the risk of loss of nonpayment.”

25          5.131   However, franchisees are not parties to National’s contracts with clients.  
26



1           5.132   National prohibits franchisees from participating in any interactions with  
2   National's clients relating to financial transactions with National.

3           5.133   As of at least November 1, 2015, National has advised franchisees that it has a  
4   right to claw back payments made to a franchisee for work performed if the client does not pay  
5   National the amount due for those services.

6           5.134   It is unfair and deceptive for National to shift the risk of client non-payment to  
7   franchisees, when franchisees are not in a position to pursue collection against National's clients.

8           5.135   It also is unfair and deceptive for National to charge franchisees an office support  
9   fee as a percentage of the franchisee's gross pay for collection efforts National seldom, if ever,  
10   performs.

11          5.136   The amounts National charges franchisees in connection with its office support,  
12   in the form of client billing, are unfair and unreasonable in light of the services provided, and  
13   the benefit of such services to the franchisee.

14           **5. National's 2011 Mandate to Terminate NMCL Franchises, With a Required**  
15   **Release of Claims and Conversion to NMC Franchising Franchises, And New**  
16   **Requirements to Maintain a Specific Corporate Form and Hire Employees**

17          5.137   Beginning in approximately 2009, National came under scrutiny by the Oregon  
18   Employment Department and the Washington State Department of Labor & Industries over  
19   concerns that it misclassified its franchisees in Oregon and Washington—the two states in which  
20   National operates—as independent contractors, when they were really employees, thereby  
21   evading its obligations to pay for workplace industrial insurance. Both agencies took  
22   enforcement action against National.

23          5.138   In 2011, Marsden formed NMC Franchising to replace NMCL. It simultaneously  
24   announced to franchisees that NMCL would no longer issue new franchises, and that franchisees  
25   would not be allowed to renew their existing franchises with NMCL, despite the express right to  
26   do so under their franchise agreements. Instead, if franchisees wanted to continue operating their

1 franchises beyond their current five-year term, franchisees were advised that they would need to  
2 convert their NMCL franchises to NMC Franchising franchises. To do so, they would be  
3 required to terminate their NMCL franchises and sign a release of all claims against NMCL.

4 5.139 In addition, National advised franchisees that upon conversion, and as of at least  
5 January 2012, National required them to incorporate or form a limited liability company;  
6 franchisees could no longer be sole proprietors.

7 5.140 Further, National no longer permitted franchisees to use independent contractors  
8 to perform the work.

9 5.141 Additionally, National began to require franchisees to have at least one employee  
10 as part of the franchisee's general business operations. This requirement was not specific to any  
11 particular client account.

12 5.142 Some Washington franchisees were told National had to impose these new  
13 requirements so the Department of Labor & Industries would consider them independent  
14 contractors and not employees of National.

15 5.143 Such requirements are unreasonable and unnecessary to the operations of MicroZ  
16 franchisees.

17 **6. National's One-Sided Contract Provisions, Including Mandatory Arbitration**  
18 **Outside the State of Washington**

19 5.144 National's form franchising agreement is replete with unfair, one-sided, and self-  
20 serving provisions that favor National.

21 5.145 For example, National purports to allow its franchisees to solicit and procure their  
22 own clients, independent of the accounts provided to the franchisees by National (Independent  
23 Accounts).

24 5.146 At the same time, from 2011 to at least 2013, National's form franchise agreement  
25 included a provision that prohibited franchisees from advertising or soliciting potential  
26

1 customers outside the franchisee's Primary Marketing Area (typically, the county in which the  
2 franchisee resides) without National's prior written approval.

3 5.147 To the extent a franchisee obtained such written approval from National,  
4 National's 2011 form franchise agreement provided that the franchisee "may temporarily service  
5 adjacent territories not then serviced by" National or its franchisees. However, the franchisee  
6 "may be required to surrender any Independent Accounts" outside their Primary Marketing Area  
7 if National awards a franchise in the territory where the Independent Account is located.

8 5.148 More than twenty Washington franchisees signed a version of National's form  
9 agreement containing these terms.

10 5.149 National's 2017 form franchise agreement provides that:

11 . . . if an NMC Account is discontinued for any reason, other than as  
12 a result of the Services you provided or failed to provide, and you  
13 are in full compliance with the terms of this Agreement, we will use  
14 our reasonable best efforts to offer you the right to service a  
15 replacement NMC Account of similar Gross Sales value  
16 ("Replacement Account") within one hundred and eighty (180) days  
17 following the date of our notice to you that the NMC Account was  
18 discontinued. A Replacement Account can be one or more accounts  
19 that may or may not be similar to the previous account in location  
20 or type.

21 . . .

22 For certain NMC Accounts that we designate in advance as "Exempt  
23 National Accounts," we will not offer a Replacement Account. We  
24 periodically may establish policies which modify the characteristics  
25 of an "Exempt National Account" in the Operations Manual.

26 A substantially similar version of this provision appears in National's form franchise  
agreements dating back to at least 2011.

5.150 Additionally, National's 2017 form franchise agreement requires franchisees to  
authorize National to withdraw funds National deems it is due directly from franchisees' bank  
accounts. If the franchisee's bank account does not have sufficient funds at any time National  
attempts to make a withdrawal, the franchise agreement provides that the franchisee will be

1 responsible for any penalties, fines, and expenses associated with the transfer, in addition to a  
2 service charge by National in the amount of \$100 per occurrence.

3 5.151 National's 2017 form franchise agreement further provides that:

4 Withholding payments unlawful. You agree that you will not  
5 withhold payment of any Royalty Fees, Office Support Fees or any  
6 other amount due us, and that the alleged non-performance or breach  
7 of any of our obligations under the Franchise Agreement or any  
8 related agreement does not establish a right at law or in equity to  
withhold payments due us for Royalty Fees, Office Support Fees or  
any other amounts due.

9 A substantially similar version of this provision appears in National's form franchise  
10 agreements dating back to at least 2011. National's form agreements do not contain any  
11 reciprocal provision relating to payments due from National to the franchisee.

12 5.152 National also prohibits franchisees from using independent contractors to do any  
13 of the cleaning work on National's client accounts. National's 2017 form franchise agreement  
14 provides that the franchisee "must Self-Operate all NMC Accounts." The agreement defines  
15 "Self-Operating" as "the use of yourself, other Principal Owners, the Operating Manager, and/or  
16 your employees in completing the contracted services." A substantially similar version of this  
17 provision appears in National's form franchise agreements dating back to at least 2011.

18 5.153 In addition, National's form franchise agreements require the individual  
19 franchisee-owners to sign a Personal Guaranty which includes all franchisee obligations under  
20 National's franchise agreement.

21 5.154 National's form franchise agreements also provide that if at any time, the  
22 franchisee's designated Operating Manager "is not managing" the franchisee's business,  
23 National "may appoint a manager to maintain Business operations on [the franchisee's] behalf"  
24 and may charge the franchisee a fee for such "management services."

25 5.155 National further requires franchisees to use National's approved vendor(s) for  
26 accounting and payroll services.

1           5.156 National’s form franchise agreements additionally contain a “Post-Term  
2 Covenant Not to Compete.” The 2017 version of this term prohibits the franchisee, as well as  
3 other Principal Owners and any Operating Manager, for a period of one year after the termination  
4 of their business relationship with National, to work for or engage in any way with any business  
5 that “deals in any commercial cleaning services, or any other related business . . .” except with  
6 National’s written consent. Prior versions of the “Post-Term Covenant Not To Compete”  
7 provision used in form agreements as recently as 2016, did not contain the language concerning  
8 written consent, and prohibited the franchisee from working for or engaging in any such business  
9 “within six (6) miles of any Primary Marketing Area of any other then-existing NMC Business.”

10           5.157 National’s form franchise agreement requires franchisees, in all dealings with  
11 their customers and suppliers and the public, to “maintain the highest standards of honesty,  
12 integrity and fair dealing, and comply with all customer service requirements described in the  
13 Operations Manual.”

14           5.158 To terminate the franchise without cause, National’s form franchise agreements  
15 require franchisees to pay National “a termination fee equal to the greater of Five Hundred  
16 Dollars (\$500) or 15% of your Gross Sales for both your NMC and Independent Accounts over  
17 the preceding twelve (12) month period . . . ,” and to sign a general release, in a form reasonably  
18 acceptable to National.

19           5.159 To terminate the franchise for cause, National’s form franchise agreements  
20 require franchisees to give National written notice and an opportunity to cure within 60 days,  
21 and requires that the franchisee be in substantial compliance with the franchise agreement at the  
22 time of giving such notice.

23           5.160 By contrast, under National’s 2017 form franchise agreement, National has the  
24 right to terminate the franchise as follows:

25   / / /

26   / / /

1 15. OUR TERMINATION RIGHTS.

2 A. Termination of Franchise Agreement - Grounds. You will be in  
3 default, and we may, at our option, terminate this Agreement or any  
4 agreement between us (including but limited to other franchise  
5 agreements or promissory notes (accelerate the amount owed)), as  
6 provided herein, if: (1) the Operating Manager fail [sic] to  
7 satisfactorily complete the Franchise Initiation Program; (2) if you  
8 fail to commence operations of the Business by the date required  
9 under Section 6(D) above; (3) you violate any material provision or  
10 obligation of this Agreement; (4) you or any of your managers,  
11 directors, officers or any Principal Owner make a material  
12 misrepresentation or omission in the application for the franchise;  
13 (5) you or any of your managers, directors, officers or any Principal  
14 Owner is convicted of, or pleads guilty to or no contest to a felony,  
15 a crime involving moral turpitude, or any other crime or offense that  
16 we believe will injure the System, the Marks or the goodwill  
17 associated therewith, or if we have proof that you have committed  
18 such a crime or offense; (6) you fail to conform to the material  
19 requirements of the System or the material standards of uniformity  
20 and quality for the products and services as described in the  
21 Operations Manual or as we have established in connection with the  
22 System; (7) you fail to timely pay Royalty Fees or Office Support  
23 Fees or any other obligations or liabilities due and owing to us or  
24 our affiliates or suppliers we approve as a source for required items;  
25 (8) you are insolvent within the meaning of any applicable state or  
26 federal law; (9) you make an assignment for the benefit of creditors  
or enter into any similar arrangement for the disposition of your  
assets for the benefit of creditors; (10) you voluntarily or otherwise  
“abandon” (as defined below) the Business; (11) you are involved  
in any act or conduct which materially impairs or otherwise is  
prejudicial to the goodwill associated with the name “National  
Maintenance Contractors” or any other Mark or the System; (12)  
you or a Principal Owner make an unauthorized assignment or  
transfer of this Agreement, the Business or an ownership interest in  
you; (13) you are in default or breach of any other agreement  
between you and us, and (14) you develop or use an unapproved  
website in connection with the Business or otherwise conduct any  
unauthorized activity on the Internet in violation of Section 8(C)  
above. The term “abandon” means your failure to communicate with  
us or potential customers for a period of three (3) consecutive  
business days without our prior written consent or any shorter period  
after which it is not unreasonable under the facts and circumstances  
for us to conclude that you do not intend to continue to operate the

1 Business, unless such failure is due to an event of “force majeure”  
2 as further described in Section 20(J) below.

3 B. Procedure. Except as described below, you will have thirty (30)  
4 days, or such longer period as applicable law may require, after your  
5 receipt from us of a written Notice of Termination within which to  
6 remedy any default hereunder, and to provide evidence thereof to  
7 us. If you fail to correct the alleged default within that time (or such  
8 longer period of time as applicable law may require), this  
9 Agreement will terminate without further notice to you effective  
10 immediately when the thirty (30) day period (or such longer period  
11 as applicable law may require) expires. We may terminate this  
12 Agreement immediately upon delivery of written notice to you, with  
13 no opportunity to cure, if the termination results from any of the  
14 following: (1) you fail to comply with one or more material  
15 requirements of this Agreement on three (3) separate occasions  
16 within any twelve (12) month period; (2) the nature of your breach  
17 makes it not curable; (3) you willfully and repeatedly deceive  
18 customers relative to the source, nature or quality of goods sold; (4)  
19 any default under items (4), (5), (8), (9), (10), (11), (12) or (13) in  
20 Section 15(A) above; or (5) you willfully and materially falsify any  
21 report, statement, or other written data furnished to us either during  
22 the franchise application process or after you are awarded a  
23 franchise. Any report submitted under Section 10(B) will be  
24 conclusively deemed to be materially false if it understates Gross  
25 Sales by more than five percent (5%).  
26

17 A substantially similar version of this provision appears in National’s form  
18 franchise agreements dating back to at least 2011.

19 5.161 Notably, under the terms of National’s form franchise agreements, National may  
20 consider a franchise “abandoned” if the franchisee does not communicate with National or its  
21 potential Clients for as little as three consecutive business days, absent *force majeure*. The form  
22 agreements do not contain any reciprocal provision requiring National to communicate with  
23 franchisees promptly.

24 5.162 In addition, as one of the conditions of franchise renewal, National’s form  
25 franchise agreements require franchisees to “sign a general release, in a form acceptable to  
26

1 [National], of all claims against [National] and [its] affiliates, officers, directors, employees, and  
2 agents.”

3 5.163 National’s form agreements also limit franchisees to asserting claims against  
4 National on an individual basis, and prohibit claims that include any other franchisee and any  
5 class action claims.

6 5.164 Furthermore, National’s form agreements limit claims by franchisees against  
7 National in time to one year after the first act or omission giving rise to the claim, or earlier. At  
8 the same time, the agreements leave National free to pursue certain claims against franchisees,  
9 including claims relating to the reporting of gross sales, indemnification, and National’s  
10 intellectual property rights “subject only to the applicable state or federal statute of limitations.”

11 5.165 The limitation period for bringing breach of contract claims in Washington is six  
12 years for written contracts and three years for oral contracts. RCW 4.16.040; 4.16.080. The  
13 limitation period for bringing private claims under the Washington Consumer Protection Act is  
14 four years. RCW 19.86.120. This limitation period does not apply to CPA claims brought by the  
15 Attorney General.

16 5.166 National’s form franchise agreements also include a provision requiring the non-  
17 prevailing party to pay all costs and expenses incurred by the prevailing party. This “loser pays”  
18 provision serves to benefit only National in a case involving CPA claims by a franchisee. The  
19 provision chills franchisees’ ability to bring CPA claims against National. As such, it is one-  
20 sided and overly harsh.

21 5.167 According to National’s form franchise agreements, whenever the agreement  
22 provides that National has a certain right, “that right is absolute and the parties intend that  
23 [National’s] exercise of that right will not be subject to any limitation or review.”

24 5.168 National’s form franchise agreements purport to require franchisees to arbitrate  
25 their claims against National, but, notwithstanding the arbitration provision, leave National free  
26



1 to immediately seek injunctive relief, as well as fees and costs incurred in obtaining such, in the  
2 event of a breach or threatened breach by a franchisee.

3 5.169 Toward that end, National's form franchise agreements include a provision that  
4 states, in pertinent part, "Except to the extent we elect to enforce the provisions of this Agreement  
5 by injunction as provided in Section 19(B) below, all disputes, claims and controversies between  
6 the parties arising under or in connection with this Agreement or the making, performance or  
7 interpretation thereof (including claims of fraud in the inducement and other claims of fraud in  
8 the arbitrability of any matter) will be resolved by arbitration on an individual basis under the  
9 authority of the Federal Arbitration Act in Minneapolis, Minnesota."

10 5.170 National's form contract documentation includes a "Washington Franchise  
11 Agreement Addendum," which states, in pertinent part, "In any arbitration involving a franchise  
12 purchased in Washington, the arbitration site shall be either in the state of Washington, or in a  
13 place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. In  
14 the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection  
15 Act, Chapter 19.100 RCW shall prevail."

16 5.171 On February 8, 2021, National filed a Motion to Dismiss and Compel Arbitration  
17 in *Escobar, et al. v. National Maintenance Contractors, LLC, et al.*, 3:20-cv-01695-SB (D. Or.),  
18 seeking to compel certain Washington franchisees to submit their claims against National to  
19 arbitration in Minneapolis, Minnesota.

20 5.172 A copy of National's 2017 Franchise Disclosure Document, including its form  
21 Franchise Agreement, filed by National in support of its Motion in the *Escobar* matter, is  
22 attached as **Exhibit A** hereto.

23 5.173 The American Arbitration Association's (AAA) administrative fees associated  
24 with arbitration under the Commercial Arbitration Rules start at \$1,725 for monetary claims of  
25 less than \$75,000, and \$6,250 for nonmonetary claims. These fees do not include arbitrator  
26

1 compensation. A copy of the AAA Administrative Fee Schedules effective May 1, 2018 is  
2 attached as **Exhibit B** hereto.

3 5.174 The cost of one round-trip flight from Seattle to Minneapolis starts at  
4 approximately \$150 per person.

5 5.175 According to the U.S. General Services Administration, 2020 *per diem* rates for  
6 the Minneapolis/St. Paul area are \$148 for hotel costs, and \$76 for meals and incidental  
7 expenses.<sup>17</sup>

8 5.176 The cost of full-time childcare varies by location, the number of children, and  
9 their needs. As of January 1, 2021, the minimum wage in Washington State is \$13.69 per hour.

10 5.177 It is unreasonable, unnecessary, and unfair to require Washington franchisees to  
11 arbitrate their claims against National in another state.

12  
13 **VI. FIRST CAUSE OF ACTION**  
14 **(Violation of Consumer Protection Act:**  
15 **Failure to Adequately Disclose Material Facts to Prospective Franchisees)**

16 6.1 Plaintiff re-alleges Paragraphs 1.1 through 5.177 and incorporates them as if set  
17 fully herein.

18 6.2 RCW 19.86.020 prohibits “unfair” or “deceptive” acts or practices in trade or  
19 commerce.

20 6.3 National engages in unfair and/or deceptive acts or practices by enticing prospective  
21 franchisees, most of whom understand little English and have no legal counsel, to purchase a  
22 franchise, where they will be their own boss and earn a certain amount of gross monthly sales  
23 volume, while failing to disclose, for example:

---

24 <sup>17</sup> U.S. General Services Administration, *FY 2021 Per Diem Rates for Minnesota*,  
25 [https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-](https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-lookup/?action=perdiems_report&state=MN&fiscal_year=2021&zip=&city=minneapolis)  
26 [lookup/?action=perdiems\\_report&state=MN&fiscal\\_year=2021&zip=&city=minneapolis](https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-lookup/?action=perdiems_report&state=MN&fiscal_year=2021&zip=&city=minneapolis) (last accessed Apr. 5,  
2021).

1                   a.       how many cleaning accounts the franchisee will need to service to  
2                   attain the gross monthly sales volume offered by National to the franchisee for  
3                   purchase;

4                   b.       how many hours of work the franchisee will need to perform to  
5                   attain the gross monthly sales volume offered by National to the franchisee for  
6                   purchase;

7                   c.       how many enrolled franchisees are under their purchased volume at  
8                   or reasonably near the time of the communication; and/or

9                   d.       how little control the franchisee likely will have over their own work  
10                  and hours.

11           6.4     National's acts and practices are not reasonable in relation to the development and  
12     preservation of business and are inconsistent with the public interest.

13                                   **VII.    SECOND CAUSE OF ACTION**  
14                                   **(Violation of Franchise Investment Protection Act:**  
15                                   **Failure to Adequately Disclose Material Facts to Prospective Franchisees)**

16           6.5     Plaintiff re-alleges Paragraphs 1.1 through 6.4 and incorporates them as if set fully  
17     herein.

18           6.6     RCW 19.100.170(2) prohibits any person, in connection with the sale or offer to sell  
19     a franchise, directly or indirectly, by means of any written or oral communication, to omit a material  
20     fact necessary to make the statements made in light of the circumstances under which they were  
21     made not misleading.

22           6.7     RCW 19.100.170(4) prohibits any person, directly or indirectly, to engage in any  
23     act, practice, or course of business which operates or would operate as a fraud or deceit upon any  
24     person.

25           6.8     National violates RCW 19.100.170(2) and/or RCW 19.100.170(4) by enticing  
26     prospective franchisees, most of whom understand little English and have no legal counsel, to

1 purchase a franchise, where they will be their own boss and earn a certain amount of gross monthly  
2 sales volume, while failing to disclose, for example:

3 a. how many cleaning accounts the franchisee will need to service to  
4 attain the gross monthly sales volume offered by National to the franchisee for  
5 purchase;

6 b. how many hours of work the franchisee will need to perform to  
7 attain the gross monthly sales volume offered by National to the franchisee for  
8 purchase;

9 c. how many enrolled franchisees are under their purchased volume at  
10 or reasonably near the time of the communication; and/or

11 d. how little control the franchisee likely will have over their own work  
12 and hours.

13 6.9 The foregoing facts are material and necessary to make National's offer to sell the  
14 franchise, in light of the circumstances under which it is made, not misleading.

15 6.10 National's failure to communicate the foregoing facts to prospective franchisees,  
16 either at all or, alternatively, in a manner the franchisee could understand, makes National's  
17 statements made in connection with the sale or offer to sell a franchise misleading.

18 6.11 National's practice of selling and marketing its franchises in the manner alleged  
19 herein operates as a fraud or deceit upon prospective franchisees.

20  
21 **VIII. THIRD CAUSE OF ACTION**  
22 **(Violation of Consumer Protection Act: Failure to Provide Franchisees With Purchased**  
23 **Monthly Gross Sales Volume)**

24 6.12 Plaintiff re-alleges Paragraphs 1.1 through 6.11 and incorporates them as if set fully  
25 herein.

26 6.13 RCW 19.86.020 prohibits "unfair" or "deceptive" acts or practices in trade or  
commerce.

1           6.14   National engages in unfair and/or deceptive acts or practices by:

2                   a.       promising to sell and selling a certain amount of gross monthly sales  
3                   volume to franchisees or prospective franchisees; and

4                   b.       failing to provide franchisees with the full amount of gross monthly  
5                   sales volume they purchased.

6           6.15   National's acts and practices are not reasonable in relation to the development and  
7   preservation of business and are inconsistent with the public interest.

8                                   **IX.     FOURTH CAUSE OF ACTION**  
9                                   **(Violation of Consumer Protection Act: Client Account Underbidding)**

10          6.16   Plaintiff re-alleges Paragraphs 1.1 through 6.15 and incorporates them as if set fully  
11   herein.

12          6.17   RCW 19.86.020 prohibits "unfair" or "deceptive" acts or practices in trade or  
13   commerce.

14          6.18   National engages in unfair and/or deceptive acts or practices by:

15                   a.       underestimating the time required to clean clients' premises in its  
16                   bids, while prohibiting franchisees from participating in the account bidding and  
17                   client contracting process, and/or offering accounts to franchisees on a take-it-or-  
18                   leave it basis; and/or

19                   b.       bidding for client accounts in a manner that fails to adhere to a  
20                   reasonable, consistent formula for estimating the time, effort, and resources required  
21                   to perform the services under bid.

22          6.19   National's acts and practices are not reasonable in relation to the development and  
23   preservation of business and are inconsistent with the public interest.

24   / / /

25   / / /

26   / / /

**X. FIFTH CAUSE OF ACTION**

**(Violation of Consumer Protection Act: Unfair and Deceptive Dealings With Franchisees  
Related to Assignment, Servicing, and Termination of Client Accounts)**

6.20 Plaintiff re-alleges Paragraphs 1.1 through 6.19 and incorporates them as if set fully herein.

6.21 RCW 19.86.020 prohibits “unfair” or “deceptive” acts or practices in trade or commerce.

6.22 National engages in unfair and/or deceptive acts or practices by:

a. requiring franchisees to perform “extra” work outside the duties which National describes to the franchisee at the time the franchisee accepts the account;

b. counting, or purporting to count, accounts rejected by franchisees against National’s gross sales account volume obligation to the franchisee;

c. charging franchisees a fine for work deemed unsatisfactory, in the amount of \$20-\$25 per hour with a two-hour minimum, while failing to adhere to the same pricing structure when offering cleaning accounts to franchisees;

d. failing to disclose to prospective franchisees the possibility of fines for work deemed unsatisfactory;

e. prohibiting franchisees from talking with clients regarding financial transactions and complaints relating to the cleaning services; and/or

f. at times, removing accounts from franchisees and/or reassigning accounts from one franchisee to another without good cause, written notice, and/or a reasonable opportunity to cure.

6.23 National’s acts and practices are not reasonable in relation to the development and preservation of business and are inconsistent with the public interest.

**XI. SIXTH CAUSE OF ACTION**

**(Per Se Violation of Consumer Protection Act and/or Violation of Franchise Investment Protection Act: Unfair and Deceptive Dealings With Franchisees Related to Assignment, Servicing, and Termination of Client Accounts)**

6.24 Plaintiff re-alleges Paragraphs 1.1 through 6.23 and incorporates them as if set fully herein.

6.25 RCW 19.100.180(1) requires National to deal with its franchisees in good faith.

6.26 RCW 19.100.180(2)(j) prohibits National from terminating a franchise prior to the expiration of its term except for good cause.

6.27 A violation of RCW 19.100.180(2) constitutes an unfair or deceptive act or practice under the provisions of the Consumer Protection Act, RCW Ch. 19.86. RCW 19.100.190(1).

6.28 National violates RCW 19.100.180(1) and/or RCW 19.100.180(2)(j) by:

a. requiring franchisees to perform “extra” work outside the duties which National describes to the franchisee at the time the franchisee accepts the account;

b. counting, or purporting to count, accounts rejected by franchisees against National’s gross sales account volume obligation to the franchisee;

c. charging franchisees a fine for work deemed unsatisfactory, in the amount of \$20-\$25 per hour with a two-hour minimum, while failing to adhere to the same pricing structure when offering cleaning accounts to franchisees;

d. failing to disclose to prospective franchisees the possibility of fines for work deemed unsatisfactory;

e. prohibiting franchisees from talking with clients regarding financial transactions and complaints relating to the cleaning services; and/or

f. at times, removing accounts from franchisees and/or reassigning accounts from one franchisee to another without good cause, written notice, and/or a reasonable opportunity to cure.

**XII. SEVENTH CAUSE OF ACTION**  
**(Violation of Consumer Protection Act:**  
**Failure to Disclose Earnings On Franchisee-Serviced Accounts)**

6.29 Plaintiff re-alleges Paragraphs 1.1 through 6.28 and incorporates them as if set fully herein.

6.30 RCW 19.86.020 prohibits “unfair” or “deceptive” acts or practices in trade or commerce.

6.31 National engages in unfair and/or deceptive acts or practices by:

a. failing to disclose to its franchisees the amounts National obtains from its clients on accounts serviced, in part or in full, by the franchisees; and/or

b. setting the amount of franchisee gross pay for accounts offered to franchisees at 10-30% below the amount paid by the client to National for the franchisee’s work.

6.32 National’s acts and practices are not reasonable in relation to the development and preservation of business and are inconsistent with the public interest.

**XIII. EIGHTH CAUSE OF ACTION**  
**(Per Se Violation of Consumer Protection Act and/or Violation of Franchise Investment**  
**Protection Act: Failure to Disclose Earnings On Franchisee-Serviced Accounts)**

6.33 Plaintiff re-alleges Paragraphs 1.1 through 6.32 and incorporates them as if set fully herein.

6.34 RCW 19.100.180(1) requires National to deal with its franchisees in good faith.

6.35 RCW 19.100.180(2)(e) prohibits National from obtaining any money, services, or any other value or benefit from any other person with whom the franchisee does business on account of such business unless such benefit is disclosed to the franchisee.

6.36 A violation of RCW 19.100.180(2) constitutes an unfair or deceptive act or practice under the provisions of the Consumer Protection Act, RCW Ch. 19.86. RCW 19.100.190(1).



1           6.37   National violates RCW 19.100.180(1) and/or RCW 19.100.180(2)(e) by failing to  
2 disclose to its franchisees the amounts National obtains from its clients on accounts serviced, in part  
3 or in full, by the franchisees.

4           6.38   National's failure to disclose the revenues it receives on accounts serviced, in part  
5 or in full, by means of the franchisees' labor, while failing to fairly compensate the franchisees, is  
6 not in good faith.

7                                   **XIV.   NINTH CAUSE OF ACTION**  
8                                   **(Violation of Consumer Protection Act: Excessive "Office Support" Fees)**

9           6.39   Plaintiff re-alleges Paragraphs 1.1 through 6.38 and incorporates them as if set fully  
10 herein.

11          6.40   RCW 19.86.020 prohibits "unfair" or "deceptive" acts or practices in trade or  
12 commerce.

13          6.41   National engages in unfair and/or deceptive acts or practices by:

14                   a.       charging franchisees an excessive fee for "Office Support Services"  
15 as a percentage of the franchisee's gross pay not commensurate with the services  
16 National actually provides to franchisees in exchange for this fee;

17                   b.       shifting the risk of client non-payment to franchisees without  
18 enabling franchisees to pursue collection against National's clients, and while  
19 concealing from franchisees the financial terms of National's contracts with its  
20 clients; and/or

21                   c.       charging franchisees a fee for collection efforts National seldom, if  
22 ever, performs.

23          6.42   National's acts and practices are not reasonable in relation to the development and  
24 preservation of business and are inconsistent with the public interest.

1                                   **XV.     TENTH CAUSE OF ACTION**

2                   **(Per Se Violation of Consumer Protection Act and/or Violation of Franchise Investment**  
3                   **Protection Act: Excessive “Office Support” Fees)**

4           6.43     Plaintiff re-alleges Paragraphs 1.1 through 6.42 and incorporates them as if set fully  
5 herein.

6           6.44     RCW 19.100.180(2)(d) prohibits National from selling or offering to sell to a  
7 franchisee any product or service for more than a fair and reasonable price.

8           6.45     A violation of RCW 19.100.180(2) constitutes an unfair or deceptive act or practice  
9 under the provisions of the Consumer Protection Act, RCW Ch. 19.86. RCW 19.100.190(1).

10          6.46     National violates RCW 19.100.180(2)(d) by:

11                   a.       charging franchisees an excessive fee for “Office Support Services”  
12 as a percentage of the franchisee’s gross pay not commensurate with the services  
13 National actually provides to franchisees in exchange for this fee;

14                   b.       shifting the risk of client non-payment to franchisees without  
15 enabling franchisees to pursue collection against National’s clients, and while  
16 concealing from franchisees the financial terms of National’s contracts with its  
17 clients; and/or

18                   c.       charging franchisees a fee for collection efforts National seldom, if  
19 ever, performs.

20          6.47     The mandatory “Office Support” fees charged by National to franchisees are not  
21 fair or reasonable in light of the services performed by National in exchange for the fee.

22                                   **XVI.     ELEVENTH CAUSE OF ACTION**

23                   **(Violation of Consumer Protection Act:**  
24                   **Mandatory NMCL to NMC Franchising Conversion and Release)**

25          6.48     Plaintiff re-alleges Paragraphs 1.1 through 6.47 and incorporates them as if set fully  
26 herein.

1           6.49    RCW 19.86.020 prohibits “unfair” or “deceptive” acts or practices in trade or  
2 commerce.

3           6.50    National engaged in unfair and/or deceptive acts or practices by:

4                   a.       refusing to renew NMCL franchises in violation of the franchisees’  
5 rights under their agreements with National;

6                   b.       requiring NMCL franchisees to terminate their franchise with  
7 NMCL before its expiration, and sign a release of all claims against NMCL; and/or

8                   c.       requiring NMCL franchisees to convert to NMC Franchising  
9 franchises, with different terms and requirements, if they wished to renew their  
10 franchise and continue in business past their current expiration date.

11          6.51    National’s acts and practices were not reasonable in relation to the development and  
12 preservation of business and were inconsistent with the public interest.

13                                   **XVII. TWELFTH CAUSE OF ACTION**

14                   **(Per Se Violation of Consumer Protection Act and/or Violation of Franchise Investment**  
15                                   **Protection Act:**

16                                   **Mandatory NMCL to NMC Franchising Conversion and Release)**

17          6.52    Plaintiff re-alleges Paragraphs 1.1 through 6.51 and incorporates them as if set fully  
18 herein.

19          6.53    RCW 19.100.180(1) requires National to deal with its franchisees in good faith.

20          6.54    RCW 19.100.180(2)(j) prohibits National from terminating a franchise prior to the  
21 expiration of its term except for good cause.

22          6.55    RCW 19.100.180(2)(g) prohibits National from requiring a franchisee to assent to a  
23 release, assignment, novation, or waiver which would relieve any person from liability imposed by  
24 RCW Ch. 19.100, except in the context of a negotiated settlement in which the franchisee is  
25 represented by independent legal counsel. RCW 19.100.180(2)(g); RCW 19.100.220.

26          6.56    A violation of RCW 19.100.180(2) constitutes an unfair or deceptive act or practice  
under the provisions of the Consumer Protection Act, RCW Ch. 19.86. RCW 19.100.190(1).

1           6.57   National violated RCW 19.100.180(1) and/or RCW 19.100.182(2) by:

2                   a.       refusing to renew NMCL franchises in violation of the franchisees’  
3                   rights under their agreements with National;

4                   b.       requiring NMCL franchisees to terminate their franchise with  
5                   NMCL before its expiration and without good cause, and sign a release of all claims  
6                   against NMCL; and/or

7                   c.       requiring NMCL franchisees to convert to NMC Franchising  
8                   franchises, with different terms and requirements, if they wished to renew their  
9                   franchise and continue in business past their current expiration date.

10          6.58   The releases signed by franchisees as part of the conversion of their franchises from  
11   NMCL to NMC Franchising were not in the context of any negotiated settlement.

12          6.59   Most, if not all, franchisees were not represented by independent legal counsel in  
13   connection with the conversion from NMCL to NMC Franchising.

14                                   **XVIII. THIRTEENTH CAUSE OF ACTION**

15                   **(Per Se Violation of Consumer Protection Act and/or Violation of Franchise Investment**  
16                   **Protection Act: Unreasonable and/or Unnecessary Corporate Form and Employee**  
17                   **Requirements)**

18          6.60   Plaintiff re-alleges Paragraphs 1.1 through 6.59 and incorporates them as if set fully  
19   herein.

20          6.61   RCW 19.100.180(1) requires National to deal with its franchisees in good faith.

21          6.62   RCW 19.100.180(2)(h) prohibits National from imposing on franchisees any  
22   unreasonable or unnecessary standard of conduct.

23          6.63   RCW 19.86.020 prohibits “unfair” or “deceptive” acts or practices in trade or  
24   commerce.

25          6.64   A violation of RCW 19.100.180(2) constitutes an unfair or deceptive act or  
26   practice under the provisions of the Consumer Protection Act, RCW Ch. 19.86. RCW  
19.100.190(1).

1           6.65   National violates RCW 19.100.180(1) and/or RCW 19.100.180(2)(h) by:

2                   a.       unreasonably and unnecessarily imposing a new requirement that  
3                   franchisees must form a for-profit corporation or limited liability company, when  
4                   that was never previously required; and/or

5                   b.       unreasonably and unnecessarily imposing a new requirement that  
6                   franchisees must hire at least one employee, when that was never previously  
7                   required.

8           6.66   National imposes these requirements to evade liability for classifying franchisees  
9 as independent contractors, for the benefit of National and/or its agents.

10          6.67   National's acts and practices are not reasonable in relation to the development and  
11 preservation of business and are inconsistent with the public interest.

12                                   **XIX. FOURTEENTH CAUSE OF ACTION**

13                                   **(Violation of Consumer Protection Act:**  
14                                   **National's Procedurally Unfair and Unconscionable Franchise Agreements)**

15          6.68   Plaintiff re-alleges Paragraphs 1.1 through 6.67 and incorporates them as if set fully  
16 herein.

17          6.69   RCW 19.86.020 prohibits "unfair methods of competition" and "unfair" or  
18 "deceptive" acts or practices in trade or commerce.

19          6.70   National presents its franchise agreements and attendant documents for signature to  
20 consumers who speak little or no English, do not have a professional interpreter to help them  
21 understand National's communications or franchise documents, have little or no prior knowledge  
22 of franchising or arbitration, are not represented by counsel in connection with the transaction, and  
23 lack access to the financial and legal resources necessary to understand the terms proposed by  
24 National. National presents its franchise agreements to vulnerable consumers on a take-it-or-leave-  
25 it basis.  
26

1           6.71    The formation of National’s franchise agreements with franchisees is procedurally  
2           unconscionable, and thus constitutes an unfair and deceptive business practice and an unfair method  
3           of competition in violation of RCW 19.86.020.

4           6.72    National engages in unfair methods of competition, and unfair and/or deceptive acts  
5           or practices in violation of RCW 19.86.020 by enforcing or attempting to enforce franchise  
6           agreements to which there has been no mutual assent.

7           6.73    National’s acts and practices are not reasonable in relation to the development and  
8           preservation of business and are inconsistent with the public interest.

9  
10                           **XX.    FIFTEENTH CAUSE OF ACTION**

11                                   **(Violation of Consumer Protection Act:**  
12                                   **National’s Substantively Unfair and Unconscionable Franchise Agreements)**

13           6.74    Plaintiff re-alleges Paragraphs 1.1 through 6.73 and incorporates them as if set fully  
14           herein.

15           6.75    RCW 19.86.020 prohibits “unfair methods of competition” and “unfair” or  
16           “deceptive” acts or practices in trade or commerce.

17           6.76    The terms of National’s franchise agreements are so one-sided as to grossly favor  
18           National. As alleged herein, the agreements limit franchisees’ rights and remedies and impose  
19           numerous fees and obligations, while at the same time maintaining National’s flexibility to alter  
20           virtually any of the terms and conditions which affect National’s rights and obligations. Such terms  
21           include, but are not limited to, provisions:

22                   a.       prohibiting franchisees from advertising or soliciting potential customers  
23                   outside their own non-exclusive Primary Marketing Area without National’s prior written  
24                   approval;

25                   b.       requiring franchisees, under certain circumstances, to surrender any  
26                   business accounts obtained independent from National;

1 c. requiring National's franchisees to "Self-Operate" the franchise, and  
2 prohibiting the use of independent contractors by franchisees;

3 d. requiring franchisees to release claims against National as a condition of  
4 renewal or termination of their franchise;

5 e. requiring franchisees to pay National's attorneys' fees and legal expenses in  
6 the event National prevails in a legal dispute with a franchisee to enforce any provision of  
7 National's franchise agreement or to enjoin any violation thereof;

8 f. requiring Washington franchisees to "irrevocably consent[]" to the  
9 jurisdiction in Hennepin County, Minnesota;"

10 g. purporting to require arbitration outside the state of Washington, when all  
11 dealings between franchisees and National occur in Washington;

12 h. allowing National to take up to six months to provide any replacement  
13 accounts to franchisees;

14 i. allowing National to designate any account as exempt from the replacement  
15 obligation at any time;

16 j. allowing National direct access to franchisees' bank accounts; and/or

17 k. allowing National to appoint a manager to manage the franchisee's business  
18 at the franchisee's expense.

19 6.77 Numerous other provisions in National's franchise agreement contribute to their  
20 one-sidedness in National's favor, including but not limited to those relating to fees, termination,  
21 non-competition, restrictions on class action lawsuits, and limitations on claims.

22 6.78 Accordingly, National's franchise agreements are substantively unconscionable.

23 6.79 Most of National's MicroZ franchisees are low-wage workers who lack access to  
24 the financial and legal resources necessary to pursue claims against National in arbitration outside  
25 Washington.  
26

6.80 A contract provision requiring arbitration outside of Washington seriously impairs franchisees' ability to assert legal claims against National.

6.81 Washington has a strong public policy against unfair, deceptive, and fraudulent acts or practices in trade or commerce in order to protect the public and foster fair and honest competition.

6.82 An arbitration clause that impairs a franchisee's ability to assert claims arising out of unfair, deceptive, and/or fraudulent practices violates Washington's strong public policy.

6.83 An arbitration clause requiring a forum outside of Washington is so unfair and inconvenient for National's franchisees that, for all practical purposes, it deprives them of a remedy or of their day in court.

6.84 National induces the franchisees' entry into the franchise agreements, including, without limitation, the arbitration provision, by means of unfair or deceptive conduct.

6.85 National engages in unfair methods of competition, and unfair and/or deceptive acts or practices in violation of RCW 19.86.020 by using, enforcing, and/or attempting to enforce substantively unconscionable franchise agreements.

6.86 National's acts and practices are not reasonable in relation to the development and preservation of business and are inconsistent with the public interest.

## XXI. SIXTEENTH CAUSE OF ACTION

**(Per Se Violation of Consumer Protection Act and/or Violation of Franchise Investment Protection Act: Requirement to Arbitrate Outside Washington State)**

6.87 Plaintiff re-alleges Paragraphs 1.1 through 6.86 and incorporates them as if set fully herein.

6.88 RCW 19.100.180(1) requires National to deal with its franchisees in good faith.

6.89 RCW 19.100.180(2)(h) prohibits National from imposing on franchisees any unreasonable or unnecessary standard of conduct.



1           6.90   RCW 19.100.220(2) provides that “[a]ny agreement, condition, stipulation or  
2 provision, including a choice of law provision, purporting to bind any person to waive compliance  
3 with any provisions of this chapter or any rule or order hereunder is void.”

4           6.91   RCW 19.100.220(3) provides that “[t]his chapter represents a fundamental policy  
5 of the state of Washington.”

6           6.92   The Washington Department of Financial Institutions has found that “it is not in  
7 good faith, reasonable, or a fair act or practice for a franchisor to set the site of arbitration, mediation,  
8 and/or litigation in a state other than Washington by means of an unfair and non-negotiable contract  
9 provision.” Washington Department of Financial Institutions, Securities Administrator, FIS-04,  
10 Franchise Act Interpretive Statement RE: Arbitration Site (1991).

11          6.93   RCW 19.86.020 prohibits “unfair” or “deceptive” acts or practices in trade or  
12 commerce.

13          6.94   A violation of RCW 19.100.180(2) constitutes an unfair or deceptive act or practice  
14 under the provisions of the Consumer Protection Act, RCW Ch. 19.86. RCW 19.100.190(1).

15          6.95   National violates RCW 19.100.180(1), RCW 19.100.180(2)(h), and/or RCW  
16 19.100.220(2) by:

17                   a.       unreasonably and unnecessarily including a provision in its contracts  
18 with Washington franchisees purporting to require arbitration outside the state of  
19 Washington, when all dealings between franchisees and National occur in  
20 Washington, and at the time of entering into the contract, the franchisees spoke little  
21 or no English, were not provided a professional interpreter to help them review the  
22 contract, had little or no prior knowledge of franchising or arbitration, and were not  
23 represented by counsel; and/or

24                   b.       requiring or attempting to require Washington franchisees to submit  
25 their claims against National to arbitration outside the state of Washington.  
26

1           6.96    A contract provision requiring National's Washington MicroZ franchisees to  
2 arbitrate claims against National in a forum outside of Washington is unfair, unreasonable, and  
3 unnecessary.

## 4                                   **XXII. REQUEST FOR RELIEF**

5           Wherefore, the State requests the following relief:

6           7.1    A declaration that Defendants' acts described above are unfair or deceptive acts or  
7 practices in trade or commerce, affecting the public interest, and in violation of the Consumer  
8 Protection Act, RCW 19.86 (CPA), and the Franchise Investment Protection Act, RCW 19.100  
9 (FIPA);

10          7.2    An injunction pursuant to RCW 19.86.080(1) and RCW 19.100.210(1) enjoining  
11 Defendants from engaging in any acts that violate the CPA and the FIPA, including but not limited  
12 to the unfair and deceptive acts and practices alleged herein;

13          7.3    An order for restitution as necessary to restore to any person an interest in any  
14 moneys or property, real or personal, which may have been acquired by means of an act prohibited  
15 by the CPA, pursuant to RCW 19.86.080(2);

16          7.4    An accounting of the names and contact information of each consumer (including,  
17 without limitation, franchisees and customers), from whom Defendants collected monies, and to  
18 whom Defendants remitted monies, and the amount of monies received from and remitted to each  
19 such consumer;

20          7.5    Pre- and post-judgment interest, at the maximum allowable rate provided by law;

21          7.6    An award of a civil penalty of up to \$2,000 for each and every violation of the CPA,  
22 pursuant to RCW 19.86.140;

23          7.7    An award of a civil penalty of up to \$2,000 for each and every violation of  
24 RCW 19.100.170, pursuant to RCW 19.100.210(3);

25          7.8    An award of the State's reasonable costs and attorneys' fees incurred in this action,  
26 pursuant to RCW 19.86.080(1) and RCW 19.100.210(1); and



# EXHIBIT A

NMC Franchising, L.L.C.

# Franchise Disclosure Document



## FRANCHISE DISCLOSURE DOCUMENT

### NMC Franchising, L.L.C.

a Delaware limited liability company  
7405 SW Tech Center Drive, Suite 120  
Tigard, OR 97223  
www.natmainco.com

NMC Franchising, LLC offers franchises to business owners to operate a National Maintenance Contractors™ building maintenance services business. We grant franchises for five years, and we provide franchisees with an opportunity to enter the facility maintenance industry and in addition allow access to business services accounts we contract with, to fulfill various elements of our contract such as janitorial, custodial or other building maintenance services.

The total investment necessary to begin operation of a National Maintenance Contractors franchise is \$ 16,350-\$ 34,250. This includes \$ 8,300 - \$ 10,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchisee Inquiries at 7405 SW Tech Center Drive, Suite 120 Tigard, OR 97223.

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

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

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

Issuance Date: August 4, 2017

**STATE COVER PAGE**

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION OR ARBITRATION ONLY IN MINNESOTA. OUT-OF-STATE LITIGATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE OR ARBITRATE WITH US IN MINNESOTA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT THE STATE IN WHICH THE FRANCHISE IS LOCATED IN GOVERNS THE AGREEMENT. YOU MAY WANT TO REVIEW THE LAWS OF YOUR STATE.
3. THE TERM OF THE FRANCHISE AGREEMENT IS FIVE YEARS AND UPON RENEWAL YOU MUST SIGN OUR THEN-CURRENT FORM OF FRANCHISE AGREEMENT WHICH WILL BE MATERIALLY DIFFERENT THAN THE CURRENT FORM OF FRANCHISE AGREEMENT INCLUDED IN THIS DISCLOSURE DOCUMENT.
4. THE FRANCHISOR IS A DEVELOPMENT STAGE COMPANY WITH LIMITED FRANCHISE OPERATING HISTORY TO ASSIST A PROSPECTIVE FRANCHISEE IN DECIDING TO MAKE THIS INVESTMENT.
5. THE FRANCHISE HAS LIMITED FINANCIAL RESOURCES WHICH MIGHT NOT BE ADEQUATE TO FUND THE FRANCHISOR'S PRE-OPENING OBLIGATIONS TO EACH FRANCHISE AND PAY OPERATING EXPENSES.
6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

**We may use the services of one or more FRANCHISE BROKERS or referral**

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Franchise Disclosure Document - Page 3

sources to assist us in selling our franchise. If utilized, a franchise broker or referral source represents us, not you. We would pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of this franchise.

#### STATE EFFECTIVE DATES

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

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

State	Effective Date
Washington	August 31, 2017

*In the states listed below, the effective date (issuance date) of this disclosure document is August 4, 2017.*

<b>Alabama</b>	<b>Louisiana</b>	<b>North Carolina</b>
<b>Alaska</b>	<b>Maine</b>	<b>Ohio</b>
<b>Arizona</b>	<b>Massachusetts</b>	<b>Oklahoma</b>
<b>Arkansas</b>	<b>Mississippi</b>	<b>Oregon</b>
<b>Colorado</b>	<b>Missouri</b>	<b>Pennsylvania</b>
<b>Connecticut</b>	<b>Montana</b>	<b>South Carolina</b>
<b>Delaware</b>	<b>Nevada</b>	<b>Tennessee</b>
<b>District of Columbia</b>	<b>New Hampshire</b>	<b>Vermont</b>
<b>Georgia</b>	<b>New Jersey</b>	<b>West Virginia</b>
<b>Idaho</b>	<b>New Mexico</b>	<b>Wyoming</b>
<b>Iowa</b>		
<b>Kansas</b>		



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**Exhibits:**

- A. State Agency
- B. Financial Statements
- C. List of Franchisees
- D. Franchise Agreement
- E. Receipts

## 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “NMC”, “we,” “us,” and “our” means NMC Franchising, L.L.C., the franchisor, and “you” or “your” means the entity who buys the franchise (the franchisee).

We are a Delaware Limited Liability Company formed in April 2011. We do our business under the name “National Maintenance” or National Maintenance Contractors” (Collectively referred to as “Marks”). Our sole member, Marsden Holding, L.L.C. is based in St. Paul, Minnesota and currently it does not offer any other type of franchising business through itself or its subsidiaries except as offered by us.

In April 2006, our affiliate, National Maintenance Contractors, L.L.C. (“Affiliate”) purchased the assets of the former owner of the “National Maintenance” name and franchises, from National Maintenance Contractors, Inc., a Washington corporation. National Maintenance Contractors, Inc. is a predecessor of our Affiliate. It and its sole proprietorship predecessor offered building maintenance services and combined and sold building maintenance accounts and provided training and services to customers for building maintenance services in the Puget Sound, Washington area from August 1973 until the acquisition. Our Affiliate simultaneously acquired the assets of National Maintenance Contractors of Oregon, Inc., an Oregon corporation formed in June 1986 that provided similar services and franchises in Oregon from 1986 until the acquisition, and National Maintenance Franchise Corporation, a Washington corporation formed in 1992 to offer master franchises. Our Affiliate will continue to support those franchisees. Our Affiliate no longer offers any franchises.

In July of 2011, we entered into a perpetual license with our Affiliate for the Marks and have offered National Maintenance Contractors franchises since August 2011.

Our and our Affiliate’s principal business address is 7405 SW Tech Center Drive, Suite 120 Tigard, OR 97223, and our telephone number is 503 601 3131. Our parent’s principal business address is 2124 University Avenue, Saint Paul, Minnesota 55114. Our agents for service of process are found on Exhibit A.

We grant “MicroZ” franchises to qualifying business owners for cleaning and maintenance related services for commercial, light industrial, small business and in some cases residential customers businesses operated under the principal name of National Maintenance Contractors. The franchise services offered by you could include, among others, janitorial, pressure washing, hard floor maintenance, window cleaning, carpet cleaning, minor construction and restoration, minor renovation, painting, snow removal, and other related building service industry items. We will supply you with management support for your franchise business, including billing and accounting services, access to a limited number of our direct customer accounts, and initial and ongoing operational, sales and business training. We do not grant franchises to individuals or sole proprietorships. You will sign a Franchise Agreement with us, attached as Exhibit E.

Under a different disclosure document, we also grant franchises to qualifying business owners for the operation of a “CoreZ” franchise, which markets and sells cleaning and maintenance related services to be performed by MicroZ franchises and recruits, trains and supports MicroZ franchisees.

You will have to compete with local businesses, other franchise companies and national firms offering similar services. You are not guaranteed success; business risks include, among other things, loss of accounts, changing market conditions, competition, cost of supplies, equipment and labor, health and continuity of your management, ability of customers to pay, continuation of sources of supply, quality and availability of labor, availability of financing, recession or depression locally or nationally, wars, strikes, national emergency, natural disasters, and liability and casualty losses.

The building maintenance services industry is volatile and rapidly changing. Customers put work out for competitive bid, and may cancel the account because of cost or for other business reasons. Many accounts are cancelable by the customer on short notice, or at will. If you are unable to access one of our customer accounts due to no fault of your own, we will provide you access to a replacement account within 180 days. Replacement accounts may be larger, smaller, or more or less difficult than the accounts being replaced. If you choose not to accept access to a replacement account that we offer, we will be under no further obligation to provide you access to a replacement account. We reserve the right at any time to substitute any of our customer accounts that you service with access to a comparable account, based solely on the gross monthly billing assigned to that customer account.

In addition to laws and regulations that apply to businesses generally, your business will be subject to various federal, state and local government regulations, including health, sanitation and safety regulations. You must obtain and keep in force all necessary licenses and permits required by public authorities. You must comply with these laws and any other laws that apply to businesses generally. There are numerous regulations, license requirements, taxes and fees which can impact your business and add to the business risk. These include but are not limited to state and local licensing laws, codes and regulations, particularly as they relate to the operation of a NMC franchise business. For certain services that could be involved in the NMC franchise, you are subject to federal and state laws and requirements, as well as possible local contractor license laws and requirements. There may be other laws applicable to the business and we urge you to make further inquiries about these laws. The nature and amount of regulation could change rapidly relating to this business. You should consult a lawyer with experience dealing with your business issues to be sure you are familiar with the current statutes and regulations that might apply within your territory.

Also there are many local, State and Federal business law requirements for you and your employees including federal and state withholding, workers’ compensation, unemployment insurance, employee benefit and other insurance requirements. In addition, there are statutes and regulations that are common to all businesses, including those governing wage and hour, health and labor issues, zoning and safety. You should obtain a complete copy of the relevant statutes and regulations of the Federal government and of your state and discuss them with your attorney. You should also investigate applicable county and city ordinances and regulations.

## 2. BUSINESS EXPERIENCE

Our directors, officers, and other executives with management responsibility for the operation of our franchise business are:

### Guy C. Mingo, Chief Executive Officer and Director

Mr. Mingo has been our Chief Executive Officer and a director since its formation in April 2011, and of its sole member, Marsden Holding, L.L.C., since September 2002. Mr. Mingo also served as CEO of our Affiliate from April of 2006.

### Craig Flom, Director

Mr. Flom has been a director since its formation. Mr. Flom served as director of our Affiliate since its formation in April 2006.

### Chris Reid, Chief Financial Officer

Mr. Reid has served as our Chief Financial Officer since its formation and has served as Chief Financial Officer of Marsden Holding since 2009.

### Sita E. Morantz, Chief Administrative Officer & Chief Operating Officer

Ms. Morantz has served as our Chief Administrative Officer since its formation and has served as Chief Administrative Officer and President of Marsden Holding, L.L.C. since 2006. Ms. Morantz served as Chief Administrator Officer of our Affiliate since its formation in April 2006. Ms. Morantz has served as our Chief Operating Officer since 2013.

### Gregg McDonald, President - Northwest Region

Mr. McDonald has served as our President - Northwest Region since April 2016. Prior to this, he was the Regional Director since its formation and he served as district manager and other capacities since April of 2006 for our Affiliate.

### Greg Davis, Regional Director

Mr. Davis has served as our Regional Director since December 2011. Prior to this, from February 2000 to December 2011, he was Director of Business Development of Cascadian Building Maintenance.

### Ryan Lee, Sales Director

Mr. Lee has served as Sales Director since November, 2016 and served previously as our Regional Director since January 2013. Prior to this, since 2011 – 2013, he was an account

executive at Aramark uniforms, and prior to this from 2010 – 2011, he was sales Director for Paragon Corporate Housing.

Noe Valladares, Area Director

Mr. Valladares has held the position of Area Director since April of 2016 and prior to this he was the Director of Operations for the past 8 years with us or our Affiliate. He has held a variety of positions and been employed by us or our Affiliate since 2003.

Rita Smyth, Area Director

Ms. Smyth has held the position of Area Director since April of 2016. Prior to this she was the District Manager. She joined the company in September of 2015. Prior to this she was in a variety of positions at Pro-Clean beginning in January of 2006.

**3. LITIGATION**

No litigation is required to be disclosed under this Item 3.

**4. BANKRUPTCY**

No bankruptcy is required to be disclosed under this Item 4.

**5. INITIAL FEES**

You must pay a lump sum initial fee for your franchise equal to five (5) times each Business Unit purchased to establish the right to operate the franchise and one business unit. A Business Unit is equal to not less than \$1,000 in monthly gross billings from our business accounts (Hereinafter “Business Unit”). This fee is uniformly charged to all franchisees for the right to become a franchisee. We have up to 90 days to provide you with access to a Business Unit. If we fail to provide you access to one Business Unit within the 90 day period you may terminate the franchise agreement and we will refund the initial franchise fee to you. If we offer and you do not accept the Business Unit or the customer refuses to accept you as the service provider, we may either offer you a substitute Business Unit or terminate the franchise agreement and upon such termination we will refund you 75 % of your initial franchise fee, as long as you execute all termination agreements and releases required by us.

If you do not successfully complete our Franchise Initiation Program (see Item 11 of this Disclosure Document) we will refund 75% of the initial franchise fee, as long as you execute all termination agreements and releases required by us. If you do accept the initial Business Unit provided to you, you will have the option of purchasing additional Business Units or Micro Units at the price being charged in our then-current Franchise Agreement. The current price for a Business Unit is \$5,000 and the current price for a Micro Unit is \$2,500. A Micro Unit is equal to not less than \$500 in monthly gross billings from business accounts we provide you with

access to provide the services described in this Disclosure Document (“Micro Unit”).

You are required to purchase an initial inventory, equipment and supplies package (“Initial Package”). The Initial Package includes your initial inventory of equipment, inventory and supplies; advertising and marketing materials like business cards, sales material, press announcements, vehicle signage and specimen advertisements; administrative material like letterhead stationery, envelopes, office forms, and route administration forms; training manuals; NMC uniforms; and access to our Confidential Operations Manual. You must pay the cost of the Initial Package after you sign the Franchise Agreement and complete our Initial Franchise Program. The estimated cost of the Initial Package is approximately \$3,500, however, it may vary based on the cost of the items at the time you sign the franchise agreement. In some cases, in our sole determination, we may allow you to use existing equipment components provided they meet our expectations.

We offer an installment or financing plan for the Initial Fee, the Initial Package, and for additional Business Units and Micro Units (See Item 10).

You may be required to sign a software license agreement (“SLA”) with us or our affiliate commensurate with signing the franchise agreement. The SLA requires you to pay an initial setup fee of \$100, which is nonrefundable, and a monthly fee equal to \$25. This fee can increase during the term of the franchise agreement (see Item 11 of this Disclosure Document).

## 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
1. Royalty (1)(2)	6 % of Gross Sales on all revenue generated by Independent Accounts, and 10% of Gross Sales for all NMC Accounts	12 <sup>th</sup> or 28 <sup>th</sup> of the month	On Independent Accounts, due monthly on the 25 <sup>th</sup> of each month. For NMC Accounts, once money is received from customer collected from you via the NMC Clearing Account
2. Office Support(3)	14% of Gross Sales on accounts for which we provide Office Support; or 0% of Gross Sales on Independent Accounts for which we do not	12 <sup>th</sup> and 28th of the month	Once Money is received from customer, paid to us via the NMC Clearing Account

Type of Fee	Amount	Due Date	Remarks
	provide Office Support		
3. Liability Insurance	As determined by your insurance provider	As required by your insurance provider	Paid to your insurance provider
4. Ongoing Training	\$150 per program for initial employee training; \$200 per program for retraining current employees; \$250 for transferee if franchise is sold.	Before training program starts	Initial Franchisee Program training for up to five individuals is included in Initial Franchise Fee
5. Transfer	\$5,000 or 10% to 20% of transfer price, whichever is less	Before completion of transfer	Payable when you sell your franchise; 20% if we identified the buyer, 10% if you find the buyer
6. Renewal	20% of the cumulative initial franchise fee that you paid to us for NMC Accounts and are still servicing	At end of initial term	Other renewal requirements are listed in Item 17
7. Interest	6% per year of balance due  18% per year of balance due, or highest legal rate, if less	At inception of Franchise Agreement  After default of payment	Applies to any monies owed to us
8. Collection Costs and Default Fees	As incurred	After default of payment	
9. Software License Fees	Initial setup fee \$100; \$25 per month.	Monthly	Initial setup fee paid upon execution of franchise; ongoing fee paid monthly via EFT or the NMC clearing bank account.



Type of Fee	Amount	Due Date	Remarks
10. Early Payment Request Fee	\$250	Upon request	If franchise owner seeks early payment of funds, there is a \$250 transaction fee

Unless otherwise indicated, all fees are nonrefundable and are imposed by and payable only to us.

1. We will create an NMC bank account which receives all payments from NMC Account customers (“NMC Clearing Account”). Once payment is received in the NMC Clearing Account, we will on a semi-monthly basis (12<sup>th</sup> and/or 28<sup>th</sup> of the month) forward you the amount minus the Royalty Fees and Office Support Fees (see Franchise Agreement Sections 4 & 5) and software license Fees (See Franchise Agreement 6 C). We reserve the right to withhold any amounts you owe us from any customer billing or collections that we receive. You must execute documents that provide us the right to electronically transfer your monthly royalty to us from your Bank Account (“EFT Form”).
2. “Gross Sales” means the aggregate amount of all revenues received from sales of goods and services, whether for cash, on credit, bartered or otherwise, made or provided at or in connection with your business. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added, goods and services or retailer’s excise taxes that you pay or accrue; and (2) adjustments for net returns on salable goods and discounts allowed to customers on sales. “Independent Account” is a customer account that you obtain and to which you provide services under the terms of the franchise agreement. NMC Account” is a National Maintenance Contractors customer account that we obtain and provide you access to in whole or in part (under terms we direct) to provide the services.
3. “Office Support”: We will provide you with Office Support services for all provided NMC Accounts. For Independent Accounts, it is your choice whether to use the Office Support services.

## **7. YOUR ESTIMATED INITIAL INVESTMENT**

Your initial investment consists of the following costs:

Type of Expenditure	Amount	Method of Payment	To Whom Payment is to be Made	When Due
Initial franchise fee(1)	\$5,000	Cash or Financed through our affiliate	Franchisor	Upon execution of the franchise agreement. Fees are nonrefundable except for limited circumstances see Franchise Agreement.

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Initial Package (2)	\$3000 - \$4,000	Cash or Financed through our affiliate	Franchisor or Independent Vendors	Upon completion of Initial Fanchisee Program training.
Business Licenses and Organization of business (3)	\$250-\$1,000	Cash	Attorney, Accountant, Municipality or other requiring entities	As incurred
General Liability & Worker's Comp Insurance(4)	\$1,000 - \$1,500	As Incurred	Insurance Provider	As determined by the provider
Vehicle(5)	\$500-\$8,500	As Incurred	Leasing Company or Auto dealership	As determined by the leasing company or auto dealership.
Communication and Technology(6)	\$100-\$750	As Incurred	Communications Provider	As determined by your communications provider
Additional Funds- 3 months(7)	\$6,500-13,500	As Incurred	Working capital for 3 months	As incurred
<b>Totals (8)</b>	<b>\$16,350 - \$34,250</b>			

- 1 Assumes the purchase of one Business Unit. The initial franchise fee is the same for all franchisees (except as noted below) and must be paid upon execution of the franchise agreement. Franchisee Initiation Program training is included in the initial franchise fee. We do offer financing for the initial franchise fee through our affiliate if you qualify (See Item 10).
- 2 You must buy an Initial Package which includes equipment, inventory and supplies; advertising and marketing materials like business cards, sales material, press announcements, vehicle signage and specimen advertisements; administrative material like letterhead stationery, envelopes, office forms, and route administration forms; manuals; NMC uniforms. If you qualify with our affiliate, you may finance all or part of the initial package cost (See Item 10).
- 3 You must operate as a corporation or other business entity approved by us. If you are not already incorporated you must do so prior to signing the franchise agreement. The cost for legal and accounting fees can vary substantially.
- 4 We require our franchisees to purchase their own general liability business insurance and worker's compensation insurance on all employees and owners (if applicable). This can be done independently through a vendor of your choice or through our preferred vendor. Using our preferred vendor could result in a cost savings through our negotiated rates.

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Regardless of the vendor used, the coverage must be equivalent to or greater than the minimum level of insurance required by us. The range of fees shown is based on an expected cost for three months premium assuming the owner is the only worker.

- 5 You will need a vehicle to operate the franchise and do business in this industry. The vehicle is used to commute to the job site, haul supplies and equipment, and other needs. The low estimate assumes you already own an acceptable vehicle and just need to do routine maintenance, provide insurance coverage for you and your employees, and purchase fuel. The high estimate assumes you need to buy or lease a vehicle, as well as do routine maintenance, provide insurance coverage for you and your employees, and purchase fuel. We describe the requirements for your vehicle(s) in our Operations Manual and you must receive approval from us for your vehicle before executing the franchise agreement.
- 6 You need a laptop computer and you must connect that computer to the internet using a high-speed connection (i.e. DSL or Cable) to communicate with us and conduct the franchise business. You will need to have a mobile phone that includes a data plan capable of receiving email and text messages. We do not require a specific type of mobile phone device or configuration. You must have a phone number dedicated to the franchise business, listed in the white pages of your local phone book and made visible and available to customers on your business cards and stationary. We do not require you to have a website and you must have our written approval if you want to establish a website. You must have a work email account which you must use to communicate with us and all customers.
- 7 Payroll processing fees and employer matching tax contributions and other employment related fees for employers are not included in these figures as we cannot predict how much of the work you will perform versus how many employees you may hire to do the work. This estimate range also assumes you paid cash for your Initial Franchise Fee and Initial Package. If you qualify to finance one or both of these fees, you will incur monthly payments that are not reflected. Fees associated with leasing office space are not included here as you are not required to lease office space to operate the franchise business. Costs for additional training costs are not included. You will need working capital to cover your expenses until you begin generating business income, which could be up to 3 months or more from when you finish the Franchisee Initiation Program.
- 8 This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first three months of the franchise business operations. This total is based on our estimate of nationwide average costs and prevailing market conditions and our (including our predecessor's) years of experience in the business. You should review this amount carefully with a business advisor before deciding to purchase the franchise.

## **8. RESTRICTIONS ON SOURCES OF PRODUCTS OR SERVICES**

You must buy or lease any additional equipment and supplies required to perform the work of the Business Units you purchased the right to perform . Unless a customer has specified

otherwise, you may buy equipment and supplies from our distributors at a discounted price or lease equipment from us if you qualify. If you buy or lease your equipment or supplies through us, we will sell or lease them to you at a reasonable profit. If you buy your equipment or supplies from another approved supplier, we currently may receive nominal rebates based on or as a result of your purchases. The cost of all required purchases or leases represents 75% of your total purchases to establish your business and 6% of your ongoing purchases. We use our buying power to get discounted rates on equipment, supplies and approved products for use in the franchise business. You may or may not end up paying more for a specific product if purchased through us depending on current market conditions.

If you would like to buy or lease any items from a source other than us or our approved suppliers, you may request our "Supplier Approval Criteria and Request Form". You submit the completed form and we may require samples of the items you plan to buy from another supplier. Based on the information and samples you give us, we will test the items and approve or disapprove of the supplier within thirty days. Alternative suppliers may be revoked by us at any time and at our discretion on 90 days written notice.

You will need to have a mobile phone with a business email address which you must use to communicate with us and customers. Your mobile phone must include a data plan capable of receiving email, text and voice mail. We do not require a specific type of device or configuration. You must access our proprietary software system on a regular basis to communicate with us, receive updates on the business, and in support of the franchise business on a day-to-day basis. The laptop computer you have must be sufficient for all requirements during the term of your franchise agreement.

We require our franchisees to purchase their own general liability, property and workers compensation insurance. This can be done independently through a broker/insurer of your choice or through us. Regardless of the vendor used, the coverage must be equivalent to or greater than the minimum level of insurance required by law or by us as noted in the attached Franchise Agreement or operations manual.

We have in the past, and we may in the future, receive rebates or other payments from suppliers, based directly or indirectly on sales of products and services to our franchisees, which payments have ranged or may range from less than 1% up to 10% or more of the costs of those items purchased by franchisees. Company officers do not own an interest in us and our affiliates. No officer has an interest in any other supplier. In the fiscal years ended December 31, 2014, December 31, 2015, and December 31, 2016 \$ 1,638,363 or 9.59 %, \$ 1,666,534 or 9.02% and \$ 1,830,667 or 8.50% of total revenue respectively of its total revenue as a result of franchisee purchases of goods, products and services.

We do not provide any material benefits to you based on your purchase of particular products or supplies. There are no purchasing or distribution cooperatives. We negotiated purchase arrangements with suppliers and try to get favorable pricing for franchisees.

We do not provide any material benefits to a franchisee based on a franchisee's purchase of a particular product or service.

## **9. FRANCHISEE'S OBLIGATIONS**

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

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Item in Disclosure Document</u>
a. Site selection and acquisition/lease	N/A	N/A
b. Pre-opening purchases/ leases	Sections 6A	Items 6, 7 and 8
c. Site development and other pre-opening requirements	N/A	N/A
d. Initial and ongoing training	Section 7	Items 6 and 11
e. Opening	Section 2	Item 11
f. Fees	Sections 5	Items 5, 6, 7, 10, 11, and 17
g. Compliance with standards and policies/ operating manual	Sections 7 and 9	Items 8, 9, 11, 13, 14, and 16
h. Trademarks and proprietary information	Section 8	Items 13, 14
i. Restrictions on products/services offered	N/A	Item 11
j. Warranty and customer service requirements	Section 9	Item 11
k. Territorial development and sales quotas	N/A	N/A
l. Ongoing product/service purchases	Sections 9	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Section 9	N/A
n. Insurance	Section 9J	Item 11, 6
o. Advertising	Section 9	Item 13
p. Indemnification	Section 18	Item 6
q. Owner's participation/ management/ staffing	Section 9	Items 9 and 15
r. Records and reports	Section 10	N/A

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<u>Obligation</u>	<u>Section in Agreement</u>	<u>Item in Disclosure Document</u>
s. Inspections and audits	Section 11	Item 6
t. Transfer	Section 14	Item 17
u. Renewal	Section 3B	Items 6,17
v. Post-termination obligations	Sections 13, 17 and 18	Item 17
x. Dispute resolution	Section 19	Item 17

## 10. FINANCING

If you apply with us or our affiliate and are qualified, you may finance up to 1/2 of your Initial Franchise Fee and pay it monthly, with interest, over the first 12 months of the term of the Franchise Agreement. The rate of interest we or our affiliate will charge is 6% per year. Interest compounds annually and accrues from the date that you execute your installment plan note.

Should you qualify for the installment plan, through us or our affiliate, Marsden Services, L.L.C., you can choose from the following options:

- a. Initial Franchise Fees: We require a 50% down payment of the Initial Franchise Fee and we will finance the balance for up to 12 months at an interest rate of 6%
- b. Initial Equipment Package: We do not require a down payment and will finance up to 100% for up to 60 months at an interest rate of 6%.
- c. Purchase of Additional Business Units: We will allow franchisees to finance up to 100% of additional Business or Micro Units, minus the total amount of any financing for existing business units, for up to 24 months at an interest rate of 6%.

All financing will require the personal guaranty from the Principal Owners of the Franchisee. The note will be secured against all the assets of the company as well as the personal guarantee of the Principal Owners. You may pay off the note at any time with no prepayment penalty. If you fail to make payments on time, we require payment of interest at the rate of 18% per year on your entire remaining balance, or the highest rate permitted by law, whichever is lower. If you do not pay on time, we may at our election accelerate all payments and collect from you the entire balance as well as any court costs, attorney fees, and other costs of collection, and terminate your Franchise Agreement. There is no waiver of defenses or similar provision in the Promissory Note or the Franchise Agreement. The Promissory Note is attached as Exhibit VI to the Franchise Agreement.

We have not and do not now plan to sell, assign, or discount any of the Finance Agreements to any third party, but we may do so. If we sell our right to payment from you under the Finance Agreement, you may lose any defenses you have against us.

# **11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

If you are located in a CoreZ franchisee’s territory, or if we appoint a CoreZ franchisee for the area where you are located after you open, that CoreZ franchisee will perform some or all of the obligations that we describe in this Item 11 for us. The Franchise Agreement allows us to delegate these responsibilities. The term “we” in this Item 11 (and in other items of this disclosure document describing our obligations under the Franchise Agreement) refers interchangeably to us and to the CoreZ franchisee whom we may appoint to service a geographic area where you are located. For the State of Washington, as of December 31, 2016, we have CoreZ’s covering the following areas: Pasco, WA and Olympia, WA; and those surrounding areas.

**Except as listed below, we are not required to provide you with any assistance.**

## **Our Pre-opening Obligations:**

- (1) We will provide a Franchisee Initiation Program for up to 5 people, including the Operating Manager, as further described below. (Franchise Agreement – Section 7 (A))
- (2) We will offer you the right to service one or more NMC Accounts representing a Business Unit within 90 days following the date you sign the Franchise Agreement. (Franchise Agreement – Section 4(A))
- (3) We will provide you at your expense with access to our proprietary software system. (Franchise Agreement – Section 6(C))
- (4) We will give you access to our Operations Manual for the Business containing mandatory and suggested specifications, standards and operating procedures for the Business. (Franchise Agreement – Section 7(D))
- (5) We will provide you with a list of vehicle and equipment (including initial equipment list) specifications (including cleaning equipment). (Franchise Agreement – Sections 6(A) and 6(B))

## **Our Obligations Once You Begin Operating Your Business:**

- (1) We will provide customer billing and collection services (“Office Support Services”) for all NMC Accounts and we will provide Office Support Services for all Independent Accounts upon your request. (Franchise Agreement – Section 5(D))



(2) If an NMC Account is discontinued for any reason (other than as a result of the services you provide or fail to provide) and you are in compliance with the terms of this Agreement, we will use our reasonable best efforts to provide you with a replacement NMC Account within 180 days. (Franchise Agreement – Section 4(B))

(3) We will provide you with advice on operational issues, as we deem appropriate, including products and services sold at your Business, and marketing your Business to Independent Accounts. (Franchise Agreement – Section 7(B))

(4) We will provide updates to the Operations Manual periodically. (Franchise Agreement – Section 7(D))

#### Site Selection

You may locate your Business office at any site. We do not approve the site for your Business office.

#### Time Period to Begin Operations

Our franchisees typically begin serving accounts 30 to 90 days after they sign the Franchise Agreement. Factors that may impact the time period include our ability to secure an NMC Account, when you attend and successfully complete the Initial Franchisee Program, the start date for the new account (whether NMC or Independent Account). If we fail to secure an NMC Account within 90 days following the date you sign the Franchise Agreement, you may terminate the Franchise Agreement and we will refund the initial franchise fee, as described in Item 5. If you fail to begin operating your Business the earlier of 90 days after you sign the Franchise Agreement or 10 days after you receive one or more NMC Accounts, we may terminate the Franchise Agreement.

#### Advertising

You must use your best efforts to advertise and promote the Business. If you desire to use advertising or promotions that we have not previously approved, you must obtain our prior written approval before using the materials. If we do not respond within 10 days after we receive the proposed materials, you may use the materials provided they otherwise comply with the Franchise Agreement and Operations Manual. You must cease using any advertising materials upon written notice from us. You will participate in mandatory advertising and promotional programs we establish. We have no obligation to conduct advertising. There is no advertising council composed of franchisees that advise us on advertising policies. We do not require you to participate in any advertising cooperative or advertising fund.

#### Computer Systems

You must provide financial and business records and information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You

must use the laptop computer in the operation of your franchise Business that operates under the Microsoft Windows-based operating system and uses the current version of the Microsoft Office Professional Suite. You also must have high speed internet access and submit customer information through our system.

There are no contractual limitations on our independent access to the information and data that is electronically generated.

You are responsible for maintaining all the above hardware and software in good operating condition. We are not obligated to provide maintenance or general technical support for the computer system. We have no obligation to update, upgrade or otherwise modify our proprietary software.

The cost to purchase the computer system ranges from \$ 700 to \$1,200. The cost of any required or optional updates, upgrades, modifications and maintenance of the computer system ranges from \$ 200 to \$ 2,500 per year.

### Training Programs

We will provide up to five individuals (including the Operating Manager, as described in Item 15) a mandatory Franchisee Initiation Program for which the tuition is included in your Initial Franchisee Fee. The Franchisee Initiation Program is described below and includes both the General Training Program and the Business Training Course. The Operating Manager must complete the Franchisee Initiation Program before you can begin operating the Business. We conduct the training program over approximately 3 days at our headquarters, at customers' buildings, or at another place we choose. Instructional materials are delivered through a variety of mediums including but not limited to; web based training through NMC's online training module, classroom instruction, onsite hands on training, videos, tests and quizzes. Our trainers background and experience will vary depending on the location in which you are being trained and the type of training being given. We ensure that our trainers are qualified to teach the subject matter being offered. We offer training approximately monthly, or more often as needed. We cannot guarantee that we will give any specific training for your accounts. If you hire any supervisory employees after the Franchisee Initiation Program, those employees must complete a training program before supervising any account. You must pay us \$150 in advance of each such training program. You must train and test all employees in a manner satisfactory to us and using the training program we provide, prior to any employees providing any services to customers. Travel, food and living expenses for all persons attending the training program are not covered by us. We may offer or require supplemental or refresher training programs. We reserve the right to charge a reasonable fee for any supplemental or refresher programs. In addition, the travel, food and living expense for all persons attending the training are not covered by us.

<b>General Training Program</b>	<b>Hours of Classroom Training</b>	<b>Hours of on- the-Job Training</b>	<b>Location</b>
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<b>General Training Program</b>	<b>Hours of Classroom Training</b>	<b>Hours of on-the-Job Training</b>	<b>Location</b>
Blood-borne Pathogens (video & test)	2-2.5 hours	N/A	Regional Support Center
Ground Rules for Custodians (video & test)	2-2.5 hours	N/A	Regional Support Center
Safety for Custodians (video & test)	2-2.5 hours	N/A	Regional Support Center
Interior Building Cleaning (video & test)	2-2.5 hours	N/A	Regional Support Center
Basic Restroom Cleaning (video & test)	2-2.5 hours	N/A	Regional Support Center
Common Areas	N/A	1-1.5 hours	Onsite
General Office	N/A	1-1.5 hours	Onsite
Private Office	N/A	1-1.5 hours	Onsite
Elevator/Stairway	N/A	1-1.5 hours	Onsite
Lunchroom/Cafeteria/ Kitchenette	N/A	1-1.5 hours	Onsite
Showers/Locker Rooms	N/A	1-1.5 hours	Onsite
Carpet Spotting	N/A	1-1.5 hours	Onsite
Janitor Closet/Equipment	N/A	1-1.5 hours	Onsite
Total	10-12.5 hours	8-12 hours	

<b>Business Training Course</b>	<b>Hours of Classroom Training</b>	<b>Hours of on-the-Job Training</b>	<b>Location</b>
Insurance Requirement	45-60 minutes	N/A	Regional Support Center
Employee Basics – hiring and managing	45-60 minutes	N/A	Regional Support Center
Business software training	45-60 minutes	N/A	Regional Support Center
Computer training	45-60 minutes	N/A	Regional Support Center
Accounting and cash flow	45-60 minutes	N/A	Regional Support Center
Legal compliance and taxes	45-60 minutes	N/A	Regional Support Center
Growing your business	45-60 minutes	N/A	Regional Support Center
Sales and customer service	45-60 minutes	N/A	Regional Support Center

### Operations Manual

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We will allow, during the term of the franchise agreement, electronic access to our Operations Manual (the “Operations Manual”). The current table of contents of the Operations Manual is as follows:

<b>Table of Contents</b>	<b>Number of Pages</b>
Introduction	9
Getting Started	20
Cleaning Basics	14
Cleaning Techniques	25
Cleaning Procedures	7
Business Management	24
Glossary	3
Total	102

## **12. TERRITORY**

You must actively participate in the franchise business through marketing your services and other activities within a designated Primary Marketing Area (“PMA”). You will not receive an exclusive territory. You may face competition from other NMC franchisees, or from other channels of distribution or competitive brands including some that we control or may be affiliated with us. We do not plan to directly compete in PMA’s, however, we reserve the right to do so should we have customers that are requesting services that cannot be, or for any other reason will not be serviced by a franchisee in that PMA.

The size of your PMA will be determined through various means; depending upon the specific area, population, or business activity and business climate. The smallest PMA would be within 1 mile radius of your home or office. A PMA can be determined by city, borough, or county boundaries, state highways or city streets, and/or specific business market areas agreed upon by you and NMC. In most cases, a PMA will consist of a county, zip code (or similar jurisdictional entity), or a portion of a county in more heavily populated areas. The two main factors NMC considers in determining a PMA are the availability of potential clients and the density of NMC franchisees in the general area. Your PMA may be altered if you choose to purchase additional Business Units from us, which we will determine in our sole discretion. Continuation of your franchise does not depend on a certain market penetration or other contingency. You may market your business outside of your PMA without our prior written permission. You may not relocate or conduct business outside your PMA without our prior written consent (this includes conducting business via alternative channels of distribution such as the Internet, catalog sales, telemarketing and other direct marketing).

We or our Affiliates reserve the right to market, sell and service any clients, customers or accounts within your PMA, either directly, or through other franchisees, or affiliates as we deem appropriate. These services may be through businesses similar to your business under different trademarks or service marks; and businesses offering any other products or services under the Marks. Also, NMC may establish certain preferred, national or regional accounts, which you will have the right to service within your PMA on the terms negotiated by NMC. If you decline to do so, we may arrange for alternative servicing of these clients.

We and our Affiliates reserve the right to use other channels of distribution, such as the Internet, catalog sales, or other direct marketing sales, to make sales in your PMA under the Trademarks or other marks without compensation to you.

You have no right of first refusal to acquire additional franchises. You may not relocate your PMA.

### **13. TRADEMARKS**

We grant you the right to operate your business under the trade names “National”, “National Maintenance” and “National Maintenance Contractors” and the stylized “N” shown on the cover (the “Principal Trademarks”) as well as certain other marks (collectively the “Trademarks”).

NMCI registered the logo “N” shown on the cover with the U.S. Patent and Trademark Office on the Principal Register under Registration Number 1284612 on July 3, 1984. NMCI later assigned that service mark to NMFC and licensed it back. NMFC and NMCI assigned all of their rights in the trademark to our Affiliate as part of the acquisition of their assets in April 2006. We have entered into a perpetual license with our Affiliate for the use of the Trademarks and to sublicense the use of the Trademarks to operate the franchised business under an intellectual property license agreement dated July 1, 2011 (the “Intellectual Property License Agreement”). Our Affiliate may terminate the Intellectual Property License Agreement if our misuse of the Trademarks materially impairs the goodwill associated with the Trademarks, if we violate any provision under the Intellectual Property License Agreement or we do not comply with our Affiliate’s instructions concerning the quality of the Trademarks. If the Intellectual Property License Agreement is terminated, any then-existing sublicense (franchises) will continue for the term of the sublicenses provided that the franchisees comply with all other terms of their Franchise Agreements. Our Affiliate will indemnify franchisees for any expenses incurred by the franchisee because of any administrative or judicial proceedings involving a trademark licensed by you. The Intellectual Property License Agreement contains no other limitations. The trademarks “National”, “National Maintenance”, and “National Maintenance Contractors” are not registered with the U.S. Patent and Trademark Office. We do not have a federal registration for three of our Principal Trademarks. Therefore, those trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must follow our rules when you use the Trademarks. If you do not, you breach the Franchise Agreement and infringe our rights in the Trademarks. Your use of the Trademarks and any goodwill established by your use will benefit us exclusively. The Franchise Agreement does not give you any goodwill or other interests in the Trademarks other than the right to operate a business in compliance with the Franchise Agreement. All terms of the Franchise Agreement that apply to the Trademarks will apply to any additional proprietary marks and commercial symbols that we authorize you to use in the future.

You must use the Trademarks as the sole identification for the franchise business, and you must identify yourself as an independent business owner. You may not use any Trademark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos franchised to you under the Franchise Agreement), or in any modified form, nor may you use any Trademark in any manner that we have not expressly authorized. You must display all Trademarks as we require, and you must use the registration symbol ® in using any registered Trademark. You cannot use any business or marketing practice that may damage our business and the goodwill associated with the Trademarks and other franchisees.

There are no currently effective determinations of the U.S. Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of any state, or any court, nor are there any pending interference, opposition or cancellation proceedings or any pending material litigation, involving the trademarks. There are no agreements that significantly limit our rights to use or franchise the use of any of these trademarks.

If we decide that you or we should change or stop using any Trademark or use other marks, you must follow our directions to change or stop using the Trademark or use one or more other marks within a reasonable time after notice from us. We will reimburse you for your reasonable direct expenses in changing or stopping the use of a Trademark. However, we do not have to pay you for any loss of goodwill associated with any modified or discontinued Trademark or for any expenses you may have to promote a different mark.

You must immediately notify us of any apparent infringement of or challenge to your use of any Trademark or claim by any person of any rights in any Trademark, and you must not communicate with any person other than us or our counsel about the infringement, challenge, or claim. We have sole discretion to take the action we deem appropriate and the exclusive right to control any litigation, U.S. Patent and Trademark Office proceeding, or any other administrative or court proceeding concerning any Trademark. You must execute any instruments and documents, give us any reasonable assistance, and do those things that, in the opinion of our legal counsel, may be necessary or advisable to protect and maintain our interests in any litigation or U.S. Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Trademarks. At our option, we may defend and control the defense of any proceeding arising out of your authorized use of any Trademark.

We know of no superior prior rights or infringing uses that could materially affect your use of any Trademark.

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

We own no patents or copyrights. However, we rely on our common law copyright and trade secret protection to protect our rights in manuals, brochures, materials, systems, processes, and other proprietary items described in Item 11. Although we have not filed an application for copyright registration for any of these items, we claim a copyright and the information is proprietary. Item 11 describes the limits on your use of these items. You must promptly tell us when you learn about unauthorized use of this information. We do not have to take any action

but will respond to this information as we think appropriate. We will indemnify you for losses in any action brought by a third party concerning your use of this information.

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

NMC does not offer this franchise to individuals, so only approved legal entities (e.g. corporations or limited liability companies) may purchase a franchise. Any owner with over 10% interest must personally guarantee the obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement. A copy of this "Guaranty and Assumption of Obligations" is attached to the Franchise Agreement.

The success of the franchised business will depend in large part on the personal and continued efforts of an officer of the corporation or limited liability company in management, marketing, sales, employee supervision and training, public relations efforts, community involvement, quality control, and customer service. A designated officer with no less than 30% interest in the corporation or limited liability company must participate in the actual operation of the franchise business. This designated officer must complete our Franchisee Initiation Program, as well as any additional or substitute officers that plan to participate in the franchise business in a managerial role. You will hire employees to support your franchise. Any employees you retain must complete any training (provided by you or a third party) we prescribe as further detailed in our Operations Manual, which may be modified at our sole discretion.

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

You must offer for sale and sell only those services that NMC has authorized in the Operations Manual, which may be updated periodically as we may determine necessary to add or remove products or services. You may not offer for sale any products or perform any services that NMC has not authorized. NMC has the right to change the types of authorized services and there are no limits upon NMC's right to do so. Except as described below, NMC places no restrictions upon your ability to serve clients provided you do so within your PMA or within areas that are not assigned to other franchisee's or otherwise restricted by NMC.

We may offer certain designated products or services that are not a normal part of our System to franchisees for test marketing purposes, which may not be made immediately available to you, if ever. We may also give certain franchisees permission to sell certain products or services that are not a normal part of our System, which you may not be permitted to purchase or sell.

#### **17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

##### **THE FRANCHISE RELATIONSHIP**

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

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Length of the franchise term	Section 3	Initial term is five years. Unless renewed, the Franchise Agreement will terminate on expiration of the initial term.
b. Renewal or extension of the term	Section 3	You may renew for up to three five year terms if you are not in default and your workmanship has been satisfactory to us.
c. Requirements for you to extend or renew	Section 3	For the renewal term: for all agreements with us, must give notice, complied with all material provisions, met then-current standards for equipment and supplies, for all agreements in Oregon with Gross Sales must average at least \$ 4,000 and Franchise must have at least one Independent Account and in Washington, while there is no minimum revenue requirement, Franchise must use at least one employee/worker regularly to perform the work of the Franchise, Operating Manager completes new or refresher programs, paid renewal fee, sign the new agreement (which may include materially different terms and conditions), Pay the Renewal Fee of 20%, Pay any deferred Initial Fee as applicable and sign a general release.
d. Termination by you	Section 16	You may terminate for the following reasons: 1. without cause upon notice and payment of a fee; and 2. if we are in default, after notice and a reasonable opportunity to cure.
e. Termination by us without cause	N/A	N/A
f. Termination by us with cause	Section 15	We can terminate if you are in default.
g. "Cause" defined – curable defaults	Section 15	Fail to complete Franchisee Initiation Program or training, fail to commence operations, did not conform to requirements of the System, fail to timely pay Royalty Fees or Office Support fees. Failure to keep in contact with us; failure to comply with applicable employment and immigration laws and regulations; failure to keep



<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
		equipment and supplies in good working order; failure to make timely payment; other defaults not listed below that are capable of cure within a reasonable time, up to 30 days.
h. “Cause” defined – noncurable defaults	Section 15	Fail to comply with a material requirement on 3 separate occasions within 12 months, nature of breach makes it not curable, willfully and repeatedly deceive customers, you or your managers make material misrepresentation, you or your managers are convicted of a crime of moral turpitude, you are insolvent, assignment for benefit of creditors, abandon business, act which impairs the goodwill of the business, make an unauthorized assignment, develop or use unapproved website, or you willfully and materially falsify any report or statement.
i. Your obligations on termination/nonrenewal	Section 17	Pay amounts due; continue releases and waivers; not disclose Confidential Information; stop use of Trademarks; deliver to us all keys and all signs, equipment, supplies and materials displaying the Trademarks; abide by noncompetition agreement.
j. Assignment of contract by us	Section 14	No restriction on our right to assign.
k. “Transfer” by you – defined	Section 14	Includes transfer of agreement or ownership change.
l. Our approval of transfer by you	Section 14	We must approve all transfers but will not unreasonably withhold approval if specified requirements are met; we have a right of first refusal.
m. Conditions for our approval of transfer	Section 14	Transferee qualifies; your obligations are paid and you are not in default; transferee agrees to complete Franchisee Initiation Program and assumes obligations under existing agreement; transfer fee and finder’s fee paid; you sign assignment and release.
n. Our right of first refusal to acquire your business	Section 14E	We may match any offer for your business.
o. Our option to purchase your business	N/A	N/A

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
p. Your death or disability	Section 14C	Your interest in the Franchise Agreement must be transferred within one month to an approved buyer.
q. Non-competition covenants during the term of the franchise	Section 13	No solicitation of extra services from accounts we give you.
r. Non-competition covenants after the franchise is terminated or expires	Section 13	No services to our customers for one year after termination.
s. Modification of the Franchise Agreement	Section 20G	By mutual consent.
t. Integration/merger clause	Section 20L	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may be unenforceable.
u. Dispute resolution by Arbitration	Sections 19	All disputes other than issues seeking injunctive relief or subject to state law must be arbitrated in Hennepin County, Minnesota.
v. Choice of forum	Section 20D	Hennepin County, Minnesota for disputes not subject to arbitration or subject to state law.
w. Choice of law	Section 20E	State where business is located.

## **18. PUBLIC FIGURES**

We do not use public figures in our name or symbol or to endorse or recommend the franchise, and you do not have the right to use the name of any public figure in advertising.

## **19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This Item lists certain historical data as provided by our Affiliate (National Maintenance Contractors, LLC). Substantiation of the data used in preparing this information will be made available upon reasonable request. The success of your franchise will depend largely upon your

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individual abilities and your market, and the financial results of your franchise may differ from the results summarized in this Item.

The following chart presents all of the franchise agreements entered into by us as of yearend (December 31) for 2014, 2015 and 2016 in the states of Washington and Oregon, respectively. Further, it indicates the number of franchise agreements with commitments to provide gross billing monthly to the franchisees that were under \$1,000 and those that exceeded \$1,000. The final column indicates the percentage of affiliate obligations to offer gross monthly billings to franchisees that were fulfilled within the required 90 day period as it related to the initial franchise fee of each franchise agreement.

For 2013 we began adding the franchise agreements for each franchise owner together for the purposes of clearly showing the total volume for each franchisee. For 2013 and 2014 the chart presents the total number of franchisees who were part of our system, along with the count of franchises who purchased total business units above or below the equivalent of \$1,000 in gross monthly billings.

For 2015, we are reporting the franchise agreements executed within that year. This number no longer includes all franchise agreements in circulation as of that year end. This will be our methodology for future years representations as well.

		Under \$1,000	\$1,000 and Over	% Fulfilled
WA	2014	14	191	95%
	2015	0	18	100%
	2016	0	12	98%
OR	2014	0	47	97%
	2015	1	23	100%
	2016	0	0	100%

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

There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well. Actual results vary from business to business, and we cannot estimate the result of a particular business. Revenues and expenses may vary. In particular, the revenues and expenses of your business will be directly affected by many factors, such as: (a) geographic location, (b) competition in your area, (c) advertising effectiveness based on market saturation, (d) your services and their pricing, (e) vendor prices on materials and supplies, (f) employee salaries and benefits (if any) provided, (g) insurance costs, (h) ability to generate

customers, (i) customer loyalty, and (j) employment conditions in the market.

Therefore, we recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a business. The success of your franchise will depend largely upon your individual abilities and your market, and the financial results of your franchise are likely to differ, perhaps materially, from the results summarized in this Item.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Gregg McDonald, NMC Franchising, L.L.C., 7405 SW Tech Center Drive, Suite 120 Tigard, OR 97223 503 601 3135, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **20. OUTLETS AND FRANCHISEE INFORMATION**

The following tables include our and our Affiliate's (National Maintenance Contractors, LLC) franchisees which operate franchises substantially similar to your franchised business. (1)

**Table No. 1**  
**System wide Outlet Summary**  
**For Years 2014 through December 31, 2016**

<b><u>Outlet Type</u></b>	<b><u>Year</u></b>	<b><u>Outlets at the Start of the Year</u></b>	<b><u>Outlets at the End of the Year</u></b>	<b><u>Net Change</u></b>
Franchised	2014	252	252	0
	2015	252	258	6
	2016	258	253	5
Company-Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Outlets	2014	252	252	0
	2015	252	258	6
	2016	258	253	5

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**Table No. 2**  
**Transfer of Outlets from Franchisees to New Owners**  
**(Other than the Franchisor)**  
**For Years 2014 through 2016**

<u>State</u>	<u>Year</u>	<u># of Transfers</u>
OR	2014	1
	2015	2
	2016	8
WA	2014	1
	2015	7
	2016	6
TOTAL	2014	2
	2015	9
	2016	14

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2014 through 2016**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Termin ations</u>	<u>Non Renewal s</u>	<u>Reacqui red by Franchi sor</u>	<u>Ceased Operatio ns - Other Reasons</u>	<u>Outlets at End of the Year</u>
OR	2014	59	8	0	0	1	1	65
	2015	65	5	0	0	0	1	69
	2016	69	0	0	0	0	1	68
WA	2014	193	8	1	2	1	10	187
	2015	187	3	2	0	0	3	185
	2016	185	0	0	0	0	0	185
TOT AL	2014	252	16	1	2	2	11	252
	2015	252	8	2	0	0	4	254
	2016	254	4	0	3	0	3	253

**Table No. 4**  
**Status of Company Owned Outlets**  
**For Years 2014 through 2016**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year(1)</u>	<u>Outlets Opened</u>	<u>Outlets Reacquire d From Franchisee</u>	<u>Outlet s Close d</u>	<u>Outlets Sold to Franchisee</u>	<u>Outlets at End of Year</u>
Totals	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

(1) Except as noted above, although our affiliates operate janitorial businesses, those businesses are not substantially similar to the business you will operate under the Franchise Agreement.

**Table No. 5**  
**Potential Openings as of December 31, 2016**

<u>State</u>	<u>Franchise Agreements Signed but Outlet not Opened</u>	<u>Potential New Franchised Outlet in the Next Fiscal Year</u>	<u>Potential New Company- Owned Outlet in the Next Fiscal Year</u>
OR	0	2	0
WA	0	5	0
TOTAL	0	7	0

Exhibit C contains a list of current Affiliate Franchisees, and of Affiliate Franchisees who have had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement (including failures, sales, resales to our unaffiliated predecessors, and transfers) during its most recently completed fiscal year or who have not communicated with Franchisor within 10 weeks of the application date.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in any franchise system.

There are no trademark-specific franchise associations required to be disclosed in this Item.

## **21. FINANCIAL STATEMENTS**

Attached as Exhibit B is our audited balance sheet dated December 31, 2016.

## **22. CONTRACTS**

Attached as Exhibit E is a copy of the Franchise Agreement. Attached as Exhibit V to the Franchise Agreement is an Acknowledgement Agreement. Attached as Exhibit VI to the Franchise Agreement is a form Promissory Note agreement.

### **23. RECEIPTS**

Attached in duplicate as Exhibit F is a Receipt for the Disclosure Document.

FDD

EXHIBIT A

**STATE ADMINISTRATOR AND  
AGENT FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS AND TEL.</b>
Washington	Department of Financial Institutions Securities Division	<b>150 Israel Road SW Tumwater, WA 98501 Tel. 360 902 8760</b>

**FDD**  
**EXHIBIT B**  
**FINANCIAL STATEMENTS**



SMITH BUNDAY BERMAN BRITTON, P.S.

NMC FRANCHISING, L.L.C.

FINANCIAL STATEMENTS

DECEMBER 31, 2016, 2015 AND 2014

## SMITH BUNDAY BERMAN BRITTON, P.S.

CERTIFIED PUBLIC ACCOUNTANTS

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April 26, 2017

To the Member  
NMC Franchising, L.L.C.

### Independent Auditor's Report

We have audited the accompanying financial statements of NMC Franchising, L.L.C., a wholly owned subsidiary of Marsden Holding, L.L.C., a Delaware limited liability corporation, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income and changes in member's equity and of cash flows for the years ended December 31, 2016, 2015 and 2014, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

SMITH BUNDEY BERMAN BRITTON, P.S.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NMC Franchising, L.L.C. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years ended December 31, 2016, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

*Smith Bunday Berman Britton, P.S.*

**NMC FRANCHISING, L.L.C.**  
(a wholly-owned subsidiary of Marden Holding, L.L.C.)  
**BALANCE SHEETS**

	<i>December 31,</i>	
	<u>2016</u>	<u>2015</u>
<i>Assets</i>		
Current assets:		
Cash in bank	\$ 81,802	\$ 93,535
Accounts receivable trade, net - Note 2	1,081,228	1,127,523
Current portion of notes receivable from franchisees, net - Note 3	568,902	603,536
Other current assets	18,383	16,613
Total current assets	<u>1,750,315</u>	<u>1,840,207</u>
Notes receivable from franchisees, net of current portion - Note 3	222,878	322,293
Due from parent - Note 4	8,099,399	5,720,103
Property and equipment, net of accumulated depreciation of \$65,052 and \$30,776, respectively	<u>200,160</u>	<u>95,235</u>
Total assets	<u>\$ 10,272,752</u>	<u>\$ 7,984,200</u>
<i>Liabilities and Member's Equity</i>		
Current liabilities:		
Accounts and franchisees payables	\$ 1,273,490	\$ 1,483,570
Accrued liabilities	1,123,406	384,746
Current portion of capital lease obligations - Note 5	<u>36,453</u>	<u>12,516</u>
Total current liabilities	2,433,349	1,880,832
Capital lease obligations, net of current portion - Note 5	<u>119,623</u>	<u>42,372</u>
Total liabilities	2,552,972	1,923,204
Commitments and contingencies - Notes 5, 7, 8 and 9		
Member's equity	<u>7,719,780</u>	<u>6,061,000</u>
Total liabilities and member's equity	<u>\$ 10,272,752</u>	<u>\$ 7,984,200</u>

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

**NMC FRANCHISING, L.L.C.**  
(a wholly-owned subsidiary of Marsden Holding, L.L.C.)  
**STATEMENTS OF INCOME AND CHANGES IN  
MEMBER'S EQUITY**

	<i>Year Ended December 31, 2016</i>	<i>Year Ended December 31, 2015</i>	<i>Year Ended December 31, 2014</i>
Revenue:			
Franchise service fees and other contractual revenue	\$ 21,161,275	\$ 16,647,073	\$ 17,765,689
Franchise costs and other costs of sales	15,627,362	15,025,888	15,365,657
Net contractual revenue	4,533,913	3,621,185	3,399,032
Franchise commission, renewal fees and royalties	231,521	23,091	26,025
Initial franchise fees	142,110	402,942	568,363
Total revenue:	4,907,504	4,253,418	4,597,250
Operating expenses - Note 4	3,323,523	3,122,858	3,000,761
Income from operations	1,583,984	1,130,560	1,596,489
Interest income, net - Note 4	75,100	51,257	45,070
Net income	1,659,084	1,181,816	1,641,559
Member's equity, beginning of year	5,055,638	4,877,880	3,236,121
Member's equity, end of year	\$ 7,717,720	\$ 6,059,696	\$ 4,877,680

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

**NMC FRANCHISING, L.L.C.**  
(a wholly-owned subsidiary of Marsden Holding, L.L.C.)  
**STATEMENTS OF CASH FLOWS**

	<i>Year Ended December 31, 2016</i>	<i>Year Ended December 31, 2015</i>	<i>Year Ended December 31, 2014</i>
<i>Cash flows from operating activities:</i>			
Cash received from customers and franchisees	\$ 21,715,245	\$ 19,371,013	\$ 18,377,586
Cash paid to franchisees, suppliers and services	21,798,025	19,388,467	18,422,821
Interest income	75,100	51,257	45,070
Interest expense	-	-	-
Net cash provided by (used in) operating activities	<u>24,280</u>	<u>33,803</u>	<u>255</u>
<i>Cash flows from investing activities:</i>			
Purchase of property and equipment	24,251	24,015	23,610
Net cash used in investing activities	<u>24,251</u>	<u>24,015</u>	<u>23,610</u>
<i>Cash flows from financing activities:</i>			
Payments on capital lease obligations	17,062	8,765	-
Net cash used in financing activities	<u>17,062</u>	<u>8,765</u>	<u>-</u>
Net change in cash	17,055	1,023	25,365
Cash at beginning of year	<u>98,855</u>	<u>97,832</u>	<u>123,472</u>
Cash at end of year	<u>\$ 31,802</u>	<u>\$ 98,855</u>	<u>\$ 97,832</u>

*Reconciliation of Net Income to Net Cash Provided by (Used in)  
Operating Activities*

Net income	\$ 1,659,024	\$ 1,181,016	\$ 1,541,558
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>			
Depreciation expense	37,276	22,734	5,775
Provision for allowance for doubtful accounts	12,802	24,457	108,600
Provision for allowance for uncollectible notes receivable	152,905	185,000	2,204
<i>Change in related assets and liabilities:</i>			
Accounts receivable	28,453	227,732	270,455
Notes receivable from franchisees	302,008	105,187	249,570
Related party receivable	1,579,284	1,560,121	1,999,407
Other current assets	1,745	8,500	18,433
Accounts payable and accrued liabilities	128,520	394,947	454,862
Total adjustments	<u>1,654,804</u>	<u>1,147,203</u>	<u>1,541,214</u>
Net cash provided by (used in) operating activities	<u>\$ 24,280</u>	<u>\$ 33,803</u>	<u>\$ 255</u>
<i>Noncash Investing and Financing Activity:</i>			
Property and equipment acquired through capital lease	<u>\$ 117,950</u>	<u>\$ 83,855</u>	<u>\$ -</u>

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



**NMC FRANCHISING, L.L.C.**  
 (a wholly-owned subsidiary of Marsden Holding, L.L.C.)

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

This summary of significant accounting policies of NMC Franchising, L.L.C. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity. The accounting policies conform to U.S. generally accepted accounting principles ("GAAP") and are consistently applied.

*Organization and operation -*

NMC Franchising, L.L.C., a wholly owned subsidiary of Marsden Holding, L.L.C. (Holding) was formed as a Delaware limited liability company to offer franchises to business owners to operate a building maintenance services business within a primary marketing area, as defined. The Company is an affiliate of National Maintenance Contractors, LLC which directly and through predecessor entities offered building maintenance services, combined and sold building maintenance accounts and provided training and services to customers in the Puget Sound area of Washington and Oregon since 1973 and 1986, respectively. The Company began operations on August 31, 2011.

The Company grants franchises to qualifying business owners for cleaning and maintenance related services for commercial, light industrial, small business and in some cases, residential customers. Businesses are operated under the principal trade names of National Maintenance Contractors™, National Maintenance, National and the stylized "N". The franchise services offered include janitorial, pressure washing, hard wood floor maintenance, window cleaning, carpet cleaning, minor construction and restoration, minor renovation, painting, snow removal and other related building service items.

The Company provides franchise owners management support including billing and accounting services and initial and ongoing operational sales and business training.

The Company offers two levels of franchise ownership: the MicroZ and the CoreZ. Franchisees known as MicroZ's, pay an initial franchise fee of \$5,000 for the right to operate the franchise and one business unit for an initial five year term. A business unit is equal to not less than \$1,000 in monthly gross billings. The Company has up to 90 days to provide franchisees with access to a business unit. Otherwise, the franchisee can terminate the franchise agreement and the Company will refund the initial franchise fee. In the event that a franchisee does not accept a business unit or the customer does not accept the franchisee as a service provider, the Company may either offer a substitute business unit or terminate the franchise agreement. Upon such termination, the Company will refund 75% of the initial franchise fee subject to the execution of all agreements and releases required by the Company.

**NOTE 1 - continued:**

Franchisees known as CoreZ's, pay an initial franchise fee of \$56,000 for the right to operate the franchise in an exclusive territory, selling customer accounts and identifying MicroZ's to perform the work. In the event the CoreZ franchisee fails to complete training and does not begin operating the franchise, the Company will refund up to 75% of the initial fee subject to the execution of all agreements and releases required by the Company.

The Company earns revenue from MicroZ services described above that it performs on their behalf and from other janitorial accounts. This income includes a service fee, which is based on a percentage of monthly billings for each MicroZ. Service fee income is recognized under the accrual method based upon billings made on behalf of the related franchisee's service agreements. Other janitorial revenue is also recognized under the accrual method when the work is performed.

Franchisees are required to complete an initial training program and are required to purchase an initial territory, equipment and supplies package from the Company or its affiliate.

Continuing franchisee fees consist of royalties based upon gross monthly billings; office support fees based upon gross monthly billings on accounts supported by the Company; training; and renewal fees at the end of the initial franchise term.

The Company maintains a bank account that receives all payments from customers. On a bi-monthly basis, the Company will remit to franchisees customer payments less promissory note payments, royalty fees, office support fees and software license fees.

Franchisees have the option to purchase additional business units or micro units.

Franchisees may transfer a franchise agreement subject to acceptance by the Company and payment of a transfer fee.

***Notes receivable -***

Notes receivable are stated at their outstanding unpaid principal balance with interest thereon being calculated by the effective interest method. Notes receivable are evaluated for impairment if circumstances indicate that such impairment may exist. Notes receivable are considered impaired when, based on current information and events, management determines that it is probable that the Company will be unable to collect amounts due according to the contractual terms of the note agreement. If impaired, notes receivable are measured at management's estimate of expected future cash flows. At December 31, 2016 and 2015, a provision for potentially uncollectible amounts was recorded in connection with these notes receivable in the amount of \$24,299 and \$137,204, respectively.

***Revenue recognition -***

Amounts received in connection with initial franchise agreements are recorded as deferred revenue until such time as all of the Company's pre-opening obligations, which are described in the franchise disclosure document, are fulfilled.

-



**NOTE 1 - continued:**

Continuing franchisee fees are based on a percentage of monthly billings for each franchisee and recognized under the accrual method when the work is performed.

Revenues from training, other services and product sales are recognized at the time the service is provided or sale of the product has occurred.

The Company's initial expenses and obligations resulting from the individual franchise agreements are not significant. Accordingly, there are no deferred expenses in the accompanying financial statements related to franchise agreements.

***Concentration of credit risk -***

The Company grants credit to customers, which include the property managers of a broad range of commercial buildings located throughout Washington, Oregon and Idaho. The Company also grants credit to franchisees for royalties and other fees. Notes receivable from franchisees are not collateralized but are subject to personal guarantees. Management does not believe that financial instruments represented by accounts and notes receivable subject the Company to a significant concentration of credit risk.

***Uninsured cash balances -***

The Company may maintain cash balances in excess of federally insured limits.

***Property and Equipment -***

Property and equipment are recorded at cost. Additions, improvements, and expenditures that increase a property's useful life are capitalized. Routine maintenance and repairs are charged to expense as incurred.

Depreciation is recorded on a straight line basis over the estimated useful lives of eighteen months to seven years. Depreciation expense includes amortization of capitalized leased assets, which are provided for using the straight-line method over the shorter of the assets estimated useful lives or the lease term.

***Advertising costs -***

Advertising costs are expensed as incurred. Advertising expense for the years end December 31, 2016, 2015 and 2014 was \$6,900, \$5,410 and \$56,014, respectively.

***Income taxes -***

For federal income tax purposes, the Company is a disregarded entity. All income and expenses are included with the accounts of its parent. Accordingly, while the Company may periodically make distributions to its parent to fund tax liabilities associated with its earnings, the Company recognizes no liability or expense for federal income taxes.

**NOTE 1 - continued:***Use of estimates -*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**NOTE 2 - ACCOUNTS RECEIVABLE:**

The majority of the Company's accounts receivable are due from unit-level accounts for services performed by franchisees, and are generally due within 30 days. The majority of accounts receivable are not collateralized. Accounts that are outstanding longer than the contractual payment terms are considered past due. It is the Company's policy to regularly evaluate the collectability of its accounts receivable and, when necessary, to record an appropriate reserve in the financial statements for potential uncollectible amounts. At December 31, 2016 and 2015, a provision of \$63,193 and \$55,391, respectively, for potentially uncollectible amounts was recorded. Accounts are written off in the period in which the receivable is determined to be uncollectible. Recoveries of amounts previously written off are recorded when received.

Approximately 40% and 27% of franchise service fees in 2016 and 2015 were from three and two customers, respectively. Approximately 25% of accounts receivable at December 31, 2016 and 2015, respectively, were due from these customers.

**NOTE 3 - NOTES RECEIVABLE:**

Notes receivable consist of the following at December 31:

	2016	2015
Notes receivable, franchise fees	\$516,079	\$1,113,035
Less allowance for uncollectible notes	24,299	157,204
Notes receivable, net	491,780	955,831
Less current portion	563,902	608,336
Noncurrent portion of notes receivable	\$222,878	\$322,295

Gross amounts due under the note agreements are as follows:

Years ending December 31,	
2017	\$565,902
2018	209,993
2019	24,251
2020	5,913
2021	4,020
	<u>\$810,079</u>

**NOTE 4 - RELATED PARTY TRANSACTIONS:**

The Company participates in Holding's centralized cash management system. As of December 31, 2016 and 2015, the Company had an interest bearing .654% at December 31, 2016, receivable from Holding in the amount of \$3,099,399 and \$3,720,105, respectively. Interest income of \$30,942, \$3,571 and \$4,315 was recognized from this receivable during 2016, 2015 and 2014, respectively.

The Company and Holding entered into an Administrative Services Agreement which terminates each December 31, and automatically renews for successive one year terms unless a notice of intent not to renew is given by either party. The management fee is annually negotiated as a part of Holding's budgetary process. Included in operating expenses for the years ended December 31, 2016, 2015 and 2014 is \$464,552, \$293,500 and \$287,714, respectively, of management fees related to this agreement.

The Company and Marsden Services, L.L.C. Services, an affiliate via common ownership, entered into a Services and License Agreement under which the Company has been granted a perpetual license for the use of various trademarks and has also been granted the right to sublicense the same trademarks. The agreement terminates each December 31, and automatically renews for successive one year terms unless a notice of intent not to renew is given by either party. License fees are annually subject to adjustment as a part of Services budgetary process. In addition, the Company may be required to reimburse Services for actual third party costs. The agreement also includes a provision whereby the Company will pay Services a one-time commission of 12.5% of projected gross profit on any national accounts referred to the Company by Services. Included in operating expenses for the years ended December 31, 2016, 2015 and 2014 is \$367,540, \$453,120 and \$613,041, respectively, of licensing fees related to this agreement.

During 2016, the Company recognized \$1,097,232 and \$775,793 in franchise service fees and franchise costs, respectively, from entities affiliated through common ownership. During 2015, the Company recognized \$893,903 and \$654,223 in franchise service fees and franchise costs, respectively, from entities affiliated through common ownership. During 2014, the Company recognized \$736,456 and \$529,379 in franchise service fees and franchise costs, respectively, from entities affiliated through common ownership. As of December 31, 2016 and 2015, the Company had accounts receivable balances in the amount \$0 and \$55,949, respectively, related to these service fees.

**NOTE 5 - OPERATING AND CAPITAL LEASES:**

On March 16, 2012, the Company entered into a three year non-cancelable operating lease for its Central Washington office. Under the terms of the lease, the Company is also responsible for utilities, insurance costs and repair and maintenance costs. In June 2015, the Company extended the term for three years through 2018.

On April 13, 2015, the Company entered into a three year non-cancellable operating lease for its Bellevue, Washington office. The lease became effective April 1, 2015.



**NOTE 5 - continued:**

On January 3, 2011, National Maintenance Contractors, LLC entered into a three year non-cancelable operating lease for its Spokane, Washington office. Under the terms of the lease, the lessee is also responsible for utilities, insurance costs and repair and maintenance costs. The Company assumed payments under this lease during 2012. In 2014, the Company entered a three year extension through July 2017.

On May 14, 2015, the Company entered into a non-cancelable three year operating lease extension and assignment from National Maintenance Contractors, LLC for its Portland, Oregon office. The lease contains a free rent period and escalating base rent. The Company records its rents on a straight-line basis over the term of the lease. Under the terms of the lease, the Company is also responsible for additional rent that includes their proportionate share of the lessor's property taxes, operating expenses, utilities, insurance costs and repair and maintenance costs.

On May 6, 2016, the Company entered into a thirty seven month non-cancelable operating lease for its Kennewick, Washington office. Under the terms of the lease, the lessee is also responsible for utilities, insurance costs and repair and maintenance costs.

On October 23, 2016, the Company entered into a twelve month non-cancelable operating lease for its Medford, Oregon office. Thereafter, the rental will be on a month-to-month basis. Under the terms of the lease, the lessee is also responsible for utilities, insurance costs and repair and maintenance costs.

The aggregate minimum annual base lease payments under these operating leases are as follows:

<u>Year ending December 31.</u>	
2017	\$129,103
2018	63,162
2019	15,272
	<u>\$207,537</u>

Rent expense recorded by the Company was \$149,692, \$139,131 and \$137,269 for the years ended December 31, 2016, 2015 and 2014, respectively.

In 2016 and 2015, the Company entered into capital leases for four and three vehicles, respectively. As of December 31, 2016, the cost and accumulated depreciation of leased vehicles under capital leases amounted to \$151,903 and \$27,740, respectively. As of December 31, 2015, the cost and accumulated depreciation of leased vehicles under capital leases amounted to \$63,953 and \$8,745, respectively.

Following are the future annual minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

**NOTE 5 - continued:**

Year ending December 31.	
2017	\$37,163
2018	37,019
2019	36,576
2020	27,963
2021	19,289
Thereafter	63
Total minimum lease payments	158,383
Less: Amount representing interest	2,307
Present value of minimum lease payments	\$156,076

**NOTE 6 - RETIREMENT PLAN:**

The Company sponsors through its parent, Marsden Holding, L.L.C., a defined contribution profit sharing plan for the benefit of substantially all employees under the provisions of section 401(k) of the Internal Revenue Code. Discretionary match contributions are 3% of gross earnings up to each participating employee's deferral per pay period. Profit sharing contributions by the Company to the plan are discretionary and determined annually by management. There were no profit sharing contributions during 2016, 2015 and 2014. During the years ended December 31, 2016, 2015 and 2014, the Company expensed matching contributions of \$7,552, \$9,040 and \$12,753, respectively.

**NOTE 7 - MINIMUM CAPITAL REQUIREMENTS:**

Certain states require that a franchisor maintain minimum capital. The Company is either in compliance with these state requirements, or intends to be, prior to commencing business in that jurisdiction.

The Company may also be subject to the provisions of the Washington Franchise Investment Protection Act and registration requirements in other states in which it intends to sell franchises.

**NOTE 8 - CONTINGENCIES:**

*State of Oregon - Employment Department - Tax Section*  
*State of Washington - Department of Labor and Industries*

In 2013, the Company was audited by the State of Washington Department of Labor and Industries and the State of Oregon Employment Department-Tax Section. In 2016, the State of Oregon estimated and assessed additional unemployment insurance taxes for calendar years 2014 and 2015. The State of Washington and the State of Oregon have assessed taxes, penalties and interest claiming that certain franchisees should have been classified as employees and, or "workers;" and therefore the Company is liable for payroll taxes in Oregon and workers compensation premiums in Washington during the periods under audit. The Company disputes the findings and has engaged legal counsel to rigorously defend its positions. The Company has paid all of the State of Oregon

**NOTE 8 - continued:**

assessments in full, under protest and has filed appeals. The briefings on the appeals have been completed and the Company is awaiting the Oregon Court of Appeals decision.

The total unpaid taxes, penalties and interest assessed by the State of Washington and the State of Oregon is approximately \$900,000. The Company has accrued \$725,000 and \$264,000, respectively, at December 31, 2016 and 2017 to allow for the possibility of a settlement of these matters.

**NOTE 9 - SUBSEQUENT EVENTS:**

The Company has evaluated subsequent events through April 26, 2017 the date these financial statements were available to be issued.

FDD  
EXHIBIT C

LIST OF AFFILIATE and NMC FRANCHISEES

Franchise Name	Address	City	State	Zip Code	Phone
KPR Janitorial Service, L.L.C.	516 N. Olympia St	Kennewick	WA	99336	(509) 619-4107
AC&R Cleaning Company, Limited	68 Bonanza Drive	Pasco	WA	99301	(000) 000-0000
Daily Cleaning, L.L.C.	1704 W Marie St	Pasco	WA	99301	(509) 851-9529
Angel Janitor Integrity Services, LLC	7 W A St	Pasco	WA	99301	(509) 374-6587
Avila Cleaning Service, L.L.C.	1606 S 2nd Ave, Apt #1	Yakima	WA	98902	(509) 833-5234
Vicky's Cleaning Services, L.L.C.	601 S. Kent St, K-203	Kennewick	WA	99336	(509) 308-5824
C&C Cleaning Service, L.L.C.	506 W. Sylvester St	Pasco	WA	99301	(509) 845-3990
Benjamin's Cleaning, L.L.C.	628 N. Arbustus	Pasco	WA	99301	(509) 531-3849
Dependable Janitor, L.L.C.	P.O. Box 7001	Kennewick	WA	99336-0602	(509) 440-9463
Double M Cleaning Services, LLC	110 9th Ave, #49	Othello	WA	99344	(509) 374-6610
D&Z Maintance Company, L.L.C.	7610 W. Nob Hill Blvd, #66	Yakima	WA	98908	(509) 834-3186
E M A Express	320 Estella Dr	Mesa	WA	99343	(509) 492-7256
Family Key Cleaning Services	319 N Wehe Ave	Pasco	WA	99301	(509) 430-2761
Rocio Jurado	P O Box 5685	Kennewick	WA	99336	(509) 366-5351
Leave It To My Hands	15511 Martindale Road	Pasco	WA	99301	(509) 947-2383
Noemi Cleaning Services, L.L.C.	921 N. 24th Ave, #12	Pasco	WA	99301	(509) 528-6946
FLM Cleaning Service, L.L.C.	418 S. Johnson St	Kennewick	WA	99336	(509) 551-7211
Mighty Broom, L.L.C.	1409 W 14th Ave, Apt A	Kennewick	WA	99337	(509) 302-8662
MGS Cleaning, L.L.C.	103 N 69th Ave	West Richland	WA	99353	(509) 851-9743
Renteria Clean Services, L.L.C.	53 Bonanza Dr	Pasco	WA	99301	(509) 528-4407
Three Rivers Cleaning, L.L.C.	PO Box 3634	Pasco	WA	99302	(509) 380-2976
Tri_R Services, L.L.C.	214505 E Pidcock	Kennewick	WA	99337	(509) 212-9467

	Road				
AAA Commercial Residential Cleaning Services LLC	3173 SW 177th Place	Beaverton	OR	97006	(503) 863-0564
AJ Cleaning Services LLC	12425 NW Barnes Road Apt 47	Portland	OR	97229-6091	(971) 221-5850
PA Janitorial Services LLC	20105 SW Boones Ferry Rd	Tualatin	OR	97062	(503) 473-3380
Ascencio's Janitorial Services Inc.	4158 Grasshopper Lane SE	Salem	OR	97317	(503) 588-3371
Tatyana LLC	10 Walking Woods Drive	Lake Oswego	OR	97035	(503) 244-7944
BMV Auto LLC	10 Walking Woods Drive	Lake Oswego	OR	97035	(503) 312-7048
Peter's Maintenance Service LLC	1735 SE 169th Ave.	Portland	OR	97233	(503) 762-0929
Kham Boun-Nharith	10012 N. Tyler	Portland	OR	97203-1664	(503) 283-8991
Star Cascade Building Services LLC	9701 SE Johnson Creek Blvd # M207	Happy Valley	OR	97086	(971) 340-9466
Dust N' Shine LLC	PO Box 5553	Vancouver	WA	98668	(360) 909-9175
Jeska Dalizu	622 NE 194th Avenue	Portland	OR	97230	(503) 206-8893
The Little Cleaning LLC	2005 Allendale Way NE	Keizer	OR	97303	(971) 239-3869
Best Janitorial Services LLC	8710 N Burrage Ave	Portland	OR	97217	(503) 816-5863
Servin Maintenance LLC	20330 SW Westside St.	Aloha	OR	97078	(503) 270-6532
Hernandez Framing Specialists LLC	2373 NW 185th Avenue Suite # 208	Hillsboro	OR	97124	(503) 201-4987
Remedios Evans Inc.	11635 SW Hall Blvd #15	Tigard	OR	97223	(503) 758-0844
Hugo's M&C Cleaning Services LLC	12224 NW Barnes Road Apt # 103	Portland	OR	97229	(503) 349-4058
Josefina Garcia	21000 NW Quatama Road, Unit 23	Beaverton	OR	97006	(503) 531-6334
Sara's Cleaning LLC	375 S 7th Ct	Cornelius	OR	97113-7000	(503) 856-5888
Acemex Cleaning Services LLC	4721 Linfield Ct. NE	Salem	OR	97305	(503) 991-4846
Alonso's Cleaning Services LLC	12450 SW Fischer Road # 225	Tigard	OR	97223	(503) 858-7373
Odacrem Cleaning Service LLC	21000 NW Quatama Rd Unit # 21	Beaverton	OR	97006	(503) 869-8764
Spotless Service Specialists LLC	2778 Duke St	Woodburn	OR	97071	(503) 452-3706
Green Feet Property	8680 SW 147th St.	Beaverton	OR	97007	(503) 593-0601



Services LLC	Terr. Unit 102				
Forrest Janitorial LLC	5412 SE 88th Ave	Portland	OR	99266	(503) 257-1116
GM Cleaning Services LLC	2342 SE Spruce St	Hillsboro	OR	97123	(503) 615-2883
LaDiva Professionals LLC	2737 Taito St.	Eugene	OR	97404	(541) 689-0118
Henry's Quality Underlayment LLC	913 SE 16th Avenue	Hillsboro	OR	97123	(971) 818-0550
Commercial Cleaning Crew LLC	10400 SE Cook Court Unit 102	Milwaukie	OR	97222	(971) 506-6314
Chely's Cleaner LLC	17941 NW Evergreen Parkway, Unit 101	Beaverton	OR	97006	(503) 616-1284
Isabel's Cleaning LLC	PO Box 512	Gervais	OR	97026	(503) 983-4311
Ali D Khan LLC	11055 SE Madison Drive	Portland	OR	97216	(503) 254-0607
Ricky Keomuangtai	4316 NE 93rd Stt.	Vancouver	WA	98665	(503) 380-2540
King's Cleaning LLC	9604 Boulder Ave	Vancouver	WA	98664-3435	(360) 896-6628
Lady Bug Cleaning, L.L.C.	220 N Garrison Road	Vancouver	WA	98664	(503) 816-7120
Little Paws Carpet Cleaning & Janitorial Services LLC	2407 SE 93rd Ave	Portland	OR	97216	(503) 519-4645
NW Luna Cleaning LLC	17780 SW Bunker Oak Rd	Beaverton	OR	97006	(971) 217-2790
DC Luu Cleaning Services LLC	13644 SW Linden Dr.	Tigard	OR	97223	(503) 590-0904
Rafaela Gutierrez Mares	17650 Bunker Oak Rd	Beaverton	OR	97006	(503) 442-1682
Alpha Janitorial Services LLC	2831 NE 122nd Ave	Portland	OR	97230	(503) 449-9908
MEJ Corp	11635 SW Hall Blvd #16	Tigard	OR	97223	(503) 639-3664
Jacen Cleaning LLC	1149 SE 15th Ave.	Hillsboro	OR	97123	(503) 693-7530
DVN Cleaning LLC	305 SE Chkalov Dr Suite # 111-338	Vancouver	WA	98683	(360) 254-2392
Zitro Janitorial Services LLC	763 SE 20th Place	Hillsboro	OR	97123	(503) 201-0324
Elis Cleaning Services LLC	6900 SW 195th Avenue Unit # 217	Aloha	OR	97007	(503) 547-3511
Alexander's Cleaning LLC	140 NE 47th Ave Apt 8	Hillsboro	OR	97124	(971) 226-0301
BP Professional Cleaning LLC	5334 SE 140th Ave.	Portland	OR	97236	(503) 283-1938
VNJ Cleaning LLC	3207 NE 111th Dr.	Portland	OR	97220	(503) 254-6098
Diamond Shine Cleaning LLC	6900 SW Canyon Terrace # 2	Portland	OR	97225	(503) 757-9057

MG Cleaning Services LLC	5540 NE Hidden Creek Dr Apt # 208	Hillsboro	OR	97124	(503) 615-2883
Universal Crystal Cleaning LLC	18755 SW 90th Ave Ste #317	Tualatin	OR	97062	(503) 757-4421
Ortiz Janitorial Services LLC	4744 Sorrel Crt SE	Salem	OR	97317	(503) 362-8552
Kameron Building Services LLC	12900 SW Kameron Way	Tigard	OR	97223-0647	(503) 579-6883
CleaningCo LLC	4621 SW Caldew St. Apt.D	Portland	OR	97219	(503) 380-8073
A-1 Quality Goods and Services LLC	12625 SW Hall Blvd. Apt 2	Tigard	OR	97223	(503) 452-0843
Classic Service Clean LLC	14640 SW 76th Avenue # 63	Tigard	OR	97224	(503) 502-5307
FJ Cleaning Services LLC	700 SW 206th Place	Beaverton	OR	97006	(503) 980-5570
Rosa Valenzuela Janitorial Services LLC	2811 SE River Rd. #1	Hillsboro	OR	97123	(971) 217-1332
24 Hr. Cleaning Services	5061 Copper Creek Loop NE	Salem	OR	97305	(503) 884-0781
JC Clean LLC	17675 SW Wakem Street	Beaverton	OR	97006	(503) 347-4014
Lilena's Cleaning Service LLC	2730 SE 75th Avenue	Hillsboro	OR	97123	(971) 998-2508
Vina Clean LLC	4707 NE 92nd Ave	Portland,	OR	97220	(503) 256-6422
General Cleaning, L.L.C.	11517 South Gardener Rd	Cheney	WA	99004	(509) 385-9360
Alek's Maintenance, L.L.C.	1504 East Ostrander Ave	Spokane	WA	99207	(509) 328-5122
BLP Services, L.L.C.	2917 E Grace, Apt B	Spokane	WA	99207-5504	(509) 535-0738
Quality Cleaners, L.L.C.	18826 E Broadway Ave	Spokane Valley	WA	99016	(509) 496-3487
Crystal Service L.L.C.	409 S Lone Tree Rd	Spokane	WA	99016	(509) 892-6874
Oksa Cleaning, L.L.C.	2508 N. Freya St	Spokane	WA	99217	(509) 893-3541
Divine Reflections Cleaning Services, L.L.C.	534 E. Dalton Ave	Spokane	WA	99207	(509) 389-0715
Farrell's Carpet Cleaning, L.L.C.	P.O Box 9973	Spokane	WA	99205	(509) 999-9937
Sadat, L.L.C.	7213 N. Pittsburg St	Spokane	WA	99217	(509) 701-0472
D & J Grigoryan's, L.L.C.	418 E LaCrosse Ave	Spokane	WA	99207	(509) 489-3284
N Cleaning, L.L.C.	3516 E. 16th Ave	Spokane	WA	99223	(509) 270-0654
VLK Cleaning, L.L.C.	1214 N Arties Ct	Greenacres	WA	99016	(509) 927-3525
Kolesnik Services, L.L.C.	7322 N. Madelia Ct	Spokane	WA	99217	(509) 484-6337

B & Z Service, L.L.C.	15121 N Wilson Ct	Mead	WA	99021	(509) 467-2973
Lauersen Enterprises, L.L.C.	4803 N. Greenwood Blvd	Spokane	WA	99205	(509) 838-2635
ALLP, L.L.C.	5703 N. Post St.	Spokane	WA	99205	(509) 327-6901
McCoy Maintenance, L.L.C.	707 N Monroe, APT # 4	Spokane	WA	99201	(509) 270-1387
Sergey's Services, L.L.C.	6706 S Dorset Rd.	Spokane	WA	99224	(509) 217-2524
Morgunov's Spotless Cleaning. L.L.C.	2359 Fancher Field Rd	East Wenatchee	WA	98802	(509) 860-8570
N&Y Best Building Maintenance, L.L.C.	7321 N. Madelia Court	Spokane	WA	99217	(509) 710-5612
NNIS Cleaning, L.L.C.	3215 N Perry St	Spokane	WA	99207	(509) 535-4440
Progress Cleaning, L.L.C.	11704 E Alki Ave	Spokane Valley	WA	99206	(000) 000-0000
T Paster Enterprises, L.L.C.	636 E. Magnesium Rd, Apt 222	Spokane	WA	99208	(509) 535-1129
NIK-ZINA Maintenance Services, L.L.C.	6516 E. 11th Ave	Spokane	WA	99212	(509) 534-4651
Salim Sadat Cleaning, L.L.C.	3724 N. Cook, #L-150	Spokane	WA	99207	(509) 484-2975
G.A.P. Cleaning Service, L.L.C.	3724 N Cook St, Apt E221	Spokane	WA	99207-5886	(509) 534-0772
PROLAWN, L.L.C.	16414 W Four Mound Rd	Nine Mile Falls	WA	99026	(509) 863-6147
Pro Cleaning LLC	7214 E 7th Ave	Spokane Valley	WA	99212	(509) 216-1668
Nina's Neaty, L.L.C.	1612 E. 7th Ave, Apt A	Spokane	WA	99202	(509) 456-3671
LDD Group, L.L.C.	26312 N Thor Rd.	Chattaroy	WA	99003	(509) 863-6539
VIFEZDA, L.L.C.	417 E I Street	Deer Park	WA	99006	(509) 326-7253
Alexis, L.L.C.	7317 N Madelia Court	Spokane	WA	99217	(509) 468-1466
Inga & Piotr Services, L.L.C.	3104 S. Mt. Vernon, #11	Spokane	WA	99223	(509) 534-4806
Mike's Commercial Cleaning Svc, L.L.C.	4117 E. Montgomery Ave.	Spokane	WA	99217	(509) 768-4975
Debbie's Janitorial, L.L.C.	PO Box 9351	Spokane	WA	99209	(509) 327-2765
N & T Super Cleaning, L.L.C.	12921 N Hogan Lane	Spokane	WA	99208	(509) 990-3204
Comfort Cleaning Co., L.L.C.	11119 E Springfield Avenue	Spokane	WA	99206	(509) 496-9596
Ixoye Services, L.L.C.	2515 E.Rich Ave	Spokane	WA	99207	(509) 536-7630
Magic Touch LLC	4605 137th St SE	Snohomish	WA	98296	(425) 223-6636
Dominga Aguilar	254 Index Ave SE	Renton	WA	98056	(206) 788-6708
Edgar Cuevas-Alpizar	8439 46th Ave. S.	Seattle	WA	98118	(206) 650-8559
Lilia Altamirano	3001 South 288th	Federal	WA	98003	(253) 886-4588

Roman	Street #49	Way			
Miguel Angel Anaya	2412 West Valley Hwy E, Unit # A	Edgewood	WA	98372	(206) 805-9540
Mohamed O. Awad	PO Box 68901	Seattle	WA	98168	(206) 355-0938
Arturo Barbosa	PO Box 3974	Federal Way	WA	98063	(206) 349-8094
Ramiro Bautista Amezcua	18328 146th Ave NE	Woodinville	WA	98072	(425) 274-6001
Master Professional Celaning Inc	920 Edmonds Ave NE	Renton	WA	98056	(425) 466-5407
Zaid Camacho-Garcia	13506 115th Ave NE	Kirkland	WA	98034	(425) 825-0164
Lilian Marlene Carlin	2412 West Valley Hwy E, Unit B	Edgewood	WA	98372	(253) 970-9449
Joel Santos Castillo	13244 12th Ave SW #102	Burien	WA	98146	(206) 243-2340
East,South,Northwest Cleaning L.L.C.	25021 21st Place South	Kent	WA	98032	(206) 856-1535
Iris L Chavez	12519 SE 275th Place	Kent,	WA	98030	(253) 394-3386
Chong Janitor Corporation	9902 22nd Avenue Ct S. # G101	Tacoma	WA	98444-8019	(253) 581-9203
Antelmo Colorado	13204 125th Ave NE	Kirkland	WA	98034	(425) 435-0795
Martin Colorado Ventura	10017 NE 130th Ln. Apt # 5	Kirkland	WA	98034	(425) 381-7663
Solomon Denbel	6632 101 Street Place NE	Marysville	WA	98270	(206) 372-7467
Amarjit S Deol	13243 S.E. 234th Street	Kent	WA	98042	(206) 790-0847
Yohannes Fisha	10000 5th Ave NE Apt #16	Seattle	WA	98125	(206) 331-5753
Justino Garcia-Ramirez	1329 Sturgus Ave S, Apt #G	Seattle	WA	98144	(206) 860-3517
Luis Antonio Solis Garcia	14004 29th Ave S	Seatac	WA	98168	(206) 981-6381
Tadele Bekele Gebermariam	133 107 Street SE	Everett	WA	98208	(425) 353-6469
Gomez Janitorial Service LLC	2214 S 292nd Street	Federal Way	WA	98003	(253) 529-2854
Stress Away Cleaning L.L.C.	10821 35th Ave SW	Seattle	WA	98146	(206) 489-6970
Lorena Gonzalez	210 37th Street SE Trailer #70	Auburn	WA	98002	(253) 347-6748
Gonzales' Cleaning L.L.C.	11202 2nd Ln SW B-104	Seattle	WA	98146	(206) 792-6092
Maria Guadalupe Gonzalez	8710 5th Ave W., Apt # C211	Everett	WA	98204	(425) 321-4574
Yelena Gudakova	11831 2nd Dr SE # B	Everett	WA	98208	(425) 760-8750
Golden Team, LLC	1836 SW 318 Place	Federal	WA	98023	(253) 517-5755

	Unit # C	Way			
Ethio Leah & Mealat Janitorial Services LLC	8559 Fremont Ave N	Seattle	WA	98103	(206) 362-2685
Dilcia and Miguel Hernandez LLC	12324 SE 276th Place	Kent	WA	98030	(206) 384-5854
Elba Hernandez	14707 NE 31st Street Apt D-5	Bellevue	WA	98007	(206) 326-1989
LH Cleaning LLC	12433 Admiralty Way, Apt # I-103	Everett	WA	98204	(425) 280-2913
Edgar Daniel Baez Herrera	1318 Chestnut St, Apt # C	Everett	WA	98201	(425) 583-5280
S Huante	4641 W. Lk Sammanish Pkway SE #F201	Issaquah	WA	98027	(425) 891-0638
Hung's Janitorial Services, LLC	11608 12th Ave SW	Burien	WA	98146	(206) 234-1890
D & H Maintenance LLC	2409 S. 131st Pl	Seatac	WA	98168	(206) 235-1983
Joseph Dean Hwang	1415 S. Garfield St.	Tacoma	WA	98444-3821	(253) 536-5203
Dagnachew Kasahun	1507 NE 169th St Apt. 8	Shoreline	WA	98155	(206) 349-8040
Baljit Chahal	22210 104th Place SE	Kent,	WA	98031	(253) 813-3029
Rajwinder Kaur	11724 SE 233rd Place	Kent	WA	98031	(253) 854-4795
Hari Om Khullar	11224 SE 264th Place	Kent	WA	98030	(253) 852-4642
Yoon K. Kim	4113 S. 331st Place	Federal Way	WA	98001-5171	(253) 350-3045
Kyong-Whan Kim	2007 139th Place SW	Lynnwood	WA	98087	(425) 392-9306
Sparkling Clean Janitorial L.L.C.	6520 Cascade Dr. SE	Snohomish	WA	98296	(425) 737-0012
Bindu Kumar	29645 18th Ave. S. Apt B-301	Federal Way	WA	98003	(206) 380-1535
Hoang Le	4401 S. 160 Street	Tukwila	WA	98188	(206) 954-9500
Janitorial Services LLC	13605 DesMoines Memorial Dr	Seattle	WA	98168	(206) 248-5121
Martha Audencia Lima Chavez	2304 "A" Street SE #62	Auburn	WA	98002	(253) 880-9767
Maria de Jesus Lopez	600 Ellingson Rd., Apt F-6	Pacific	WA	98047	(425) 917-0994
Ignacio S Lopez	24500 Russell Road, Apt # A-3	Kent	WA	98032	(206) 489-7282
Jorge Baez Lopez	17436 Mountain View Road SE	Monroe	WA	98272	(206) 372-8255
Vannak Ly	P.O. Box 7455	Bonney Lake	WA	98391	(206) 334-1844
Bub Cleaning Services, LLC	9803 21st Drive SE	Everett	WA	98208	(425) 931-7722

Lyudmila Myroshnichenko	35405 26th Place S.	Federal Way	WA	98003	(206) 930-4236
YM Cleaning Services LLC	2059 127th Ave SE	Bellevue	WA	98005	(425) 649-8818
C & C Cleaning LLC	506 SW 324th St	Federal Way	WA	98023	(253) 334-7299
Northwest Pro Cleaning Services LLC	27010 14th Ave S	Des Moines	WA	98198	(253) 941-0215
Yekaterina Odnorozhenko	12330 NE 92nd Lane Unit J401	Kirkland	WA	98033	(425) 893-8593
O.W Inc	32803 28th Ave SW	Federal Way	WA	98023	(253) 661-3996
Adaluda Cleaning LLC	15325 SE 155th Place T - 6	Renton	WA	98058	(206) 786-5084
Juan Solis Perez	13036 3rd Ave S.	Burien	WA	98168	(206) 734-8873
Aldelfo Quiroz-Cortez	4822 S. Kenyon Street	Seattle	WA	98118	(206) 371-0796
Javier Ayala Ramirez	17510 Mountain View Rd. SE	Monroe	WA	98272	(425) 953-0665
Jose Guadalupe Alonso Ramirez	6413 123rd Ave SE TRLR#26	Snohomish	WA	98290	(206) 963-0979
Brooms and Mops LLC	2009 Jones Circle SE	Renton	WA	98055	(206) 351-4995
Gerardo I. Ramirez-Solis	2009 Jones Circle SE	Renton	WA	98055	(206) 605-8724
Marisol Rivero	3642 33rd Ave S., Apt # A-713	Seattle,	WA	98144	(206) 722-1499
Armando Rizo	10870 5th Ave S	Seattle	WA	98168	(206) 436-9548
Catarino Rodriguez	7018 180th Ave NE, TRLR #6	Redmond	WA	98052	(425) 518-9381
Teresa Ruiz	1190 Edmonds Place NE	Renton	WA	98056	(206) 802-5514
Arturo Salazar	3625 S. Lucile Street	Seattle	WA	98118	(206) 353-8910
Sister's Janitorial LLC	507 Queen Ave. N.E	Renton	WA	98056	(206) 412-1632
Hilda's Cleaning LLC	2928 S. Charlestown St	Seattle	WA	98144	(206) 721-3013
HM Janitorial LLC	17418 119th Ln SE # G-1	Renton	WA	98058	(425) 988-3695
Sanchez Janitorial LLC	15620 NE 15th Street Apt #1	Bellevue	WA	98008	(425) 643-8210
J & M Building Maintenance LLC	2033 43rd Street	Tacoma	WA	98404	(253) 835-4206
Nereida Santiago De La O	16520 North Road, I-102	Bothell	WA	98012	(425) 219-0224
Veronica Sarmiento-Ruiz	8439 46th Ave. S.	Seattle	WA	98118	(206) 650-8561
Kamit Satkeev	8817 NE 161st Place	Kenmore	WA	98028	(206) 618-6648
Shin's Cleaning, Inc.	17200 NE 16th Place	Bellevue	WA	98008	(206) 250-4180



Super Maintenance Service LLC	21719 120th Ave SE	Kent	WA	98031	(253) 630-3523
Vasily Shur	4715 21st Ave SW	Seattle	WA	98106	(206) 932-3306
Yekaterina Shutova	PO Box 368	Mukilteo	WA	98275	(425) 327-2771
Moises Sican	23222 61th Ave S #GG202	Kent	WA	98032	(253) 334-9321
Ajmer Singh	22209 104th Pl. SE	Kent	WA	98031	(253) 520-0672
Mandeep and Guri LLC	23406 117th Place SE	Kent	WA	98031	(425) 306-6831
Alexander Slobodchikov	32804 22nd Ave SW	Federal Way	WA	98023	(206) 316-0818
Ivonne Robles Solis	24907 34th Ave S.	Kent	WA	98032	(206) 619-5063
LAKHA LLC	11540 Pinehurst Way NE, Apt 208	Seattle	WA	98125-6341	(206) 466-1066
Robert Sweet	325 Stevens Ave NW	Renton	WA	98057-5121	(425) 255-3166
Jose Temores-Garcia	23228 Brier Road	Brier	WA	98036	(206) 419-2524
Sound Maintenance Services, Inc	8270 S 192nd Street	Kent	WA	98031	(206) 850-5243
Mister Cleaner LLC	409 60th St SE	Everett	WA	98203	(425) 347-0462
Fernando Valdez	7209 224th St SW #P5	Edmonds	WA	98026	(206) 434-8906
Cleaning Services, LLC	10217 51st Avenue South	Tukwila	WA	98178	(206) 605-8819
Jimenez-Vasquez Janitorial Services LLC	1220A E. Fir Street, Unit A	Seattle	WA	98122	(206) 434-0737
Samuel Vidal Lopez	8528 126th Ave NE	Kirkland	WA	98033	(425) 205-9100
Jesse Villegas	100 228th Street SE, # 16	Bothell	WA	98021	(425) 780-2284
Yevgeniy Vovkulin	1625 Delia Jimmicum Place NW	Marysville	WA	98271	(360) 654-0796
WM Maintenance Inc	33525 39th Ave S.	Federal Way	WA	98001	(253) 205-7448
Raymond Welling	9211 12th Ave SW	Seattle	WA	98106	(206) 902-7918
Bong Sang Yoo	11330 E. Riverside Dr., Unit 33	Bothell	WA	98011	(425) 647-0524
Jae Won Yun	7313 E. 178th Street	Puyallup	WA	98375	(253) 864-6001
Marina's Cleaning L.L.C.	3333 164th St. SW, Apt # 1835	Lynnwood	WA	98087	(425) 879-7229
Rutilio Nahum Zamora Nieves	20440 Pacific Hway S # 4	SeaTac	WA	98198	(206) 393-2649
Missael Martinez Zavala	15330 NE 11th St, Apt H-318	Bellevue	WA	98007	(425) 759-9074
PHUC TRAN	6025 NE Fremont Str.	Portland	OR	97213	(503) 284-1124
Nady's Cleaning Service, LLC	1625 E. Boone Avenue	Spokane	WA	99202	(509) 720-1638
Well Kept Cleaning LLC	524 E. Sanson Avenue	Spokane	WA	99207	(509) 570-6656

Triple Ttt, LTD	606 Vicksburg Ave	Spokane	WA	99208	(509) 362-4560
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**Inactive Franchisees as of December 31, 2016**

Name	Address	City	State	Zip	Phone
DJ Janitor Service	2033 E 43rd St	Tacoma	WA	98404	(206) 578-7286
Kapan, Inc	13626 SE 10th St	Bellevue	WA	98005	(425) 401-1427
Nataliya Barzul	36323 31st Place S	Federal Way	WA	98003	(253) 661-0324
Pauleen P. La	1151 Monterey Ave NE	Renton	WA	98056	(425) 981-0659
Tuong V. Le	8157 4th Ave SW	Seattle	WA	98106	(206) 767-2703
Vimla Devi	3921 NE 11th Place	Renton	WA	98056	(206) 446-9155
Vladimir Nikolin	7107 77th Drive NE	Marysville	WA	98270	(425) 350-5630
WEGREEN LLC	4706 Mill Pond Dr Apt #1301	Auburn	WA	98001	(206) 718-7179
Margarita Mendoza Velazquez	3820 S. 261 <sup>st</sup> Street	Kent	WA		(206) 915-8115
Jesse Villego	100 228 <sup>th</sup> Street SE	Bothell	WA		(425) 780-2284
Maria De Jesus Lopez	600 Ellingson Rd	Pacific	WA		(206) 446-3064
Yeogeniy Vovkulia	1625 Delta Jimmeum Place	Marysville	WA		(206) 571-6258
Victoria, LLC	3104 S. Mt Vernon #10	Spokane	WA	99223	(509) 5342544
Lana Cleaning Service, LLC	10720 N. Lookout View Lane	Newman Lake	WA	99025	(509) 4815503
Valentina, LLC	1516 N. Maple	Spokane	WA	99201	(509) 5344751
NL Northwest, LLC	15922 E Foothills Rd	Spokane	WA	99217	(509) 8796377
NEZAM LLC	7311 N Madelia Ct	Spokane	WA	99217	(509) 4834652
LEF LLC	1011 E Sharpsburg, Apt #530	Spokane	WA	99208	(509) 481-7419
Moonlight Maintenance LLC	3628 E. 14th	Spokane	WA	99202	(509) 8687223
MVP Handyman, LLC	539 S. Carnahan Rd	Spokane	WA	99212	(509) 5350157
Progress Cleaning, LLC	NO INFO				NO NUMBER
Vina Clean, LLC	4707 NE 52 <sup>nd</sup> Avenue	Portland	OR	97220	(503) 256 6422
Remedios Evans, LLC	11635 SW Hall Blvd # 15	Tigard	OR	97223	(503) 758-0844



**Franchisees Who Left the System in The Year Ended December 31, 2016**

<b>Name</b>	<b>City</b>	<b>State</b>	<b>Phone</b>
Liliya Enterprises, L.L.C.	Deer Park	WA	
CWB Janitorial LLC	Spokane	WA	509-315-9092
Polks LLC	Spokane	WA	(509) 290-2710
Sound Maintenance Services Inc.	Kent	WA	(206) 850-5243
Hung's Janitorial Services, LLC	Burien	WA	(206) 234-1890
Veronica Sarminto-Ruiz	Seattle	WA	(206) 650-8561
Brooms and Mops LLC	Renton	WA	(206) 351-4995
EMA Express LLC			
Gerald Brandon	Portland	OR	(503) 781-5549
Diane Stanley	Gresham	OR	(503) 475-9024
Phuc Tran	Portland	OR	(503) 284-1124

FDD  
EXHIBIT D

FRANCHISE AGREEMENT

**NATIONAL MAINTENANCE CONTRACTORS<sup>SM</sup> FRANCHISE AGREEMENT**

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FRANCHISEE

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DATE OF AGREEMENT

NMC Franchising, LLC  
2017 FA

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## NATIONAL MAINTENANCE CONTRACTORS<sup>SM</sup> FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, between NMC Franchising, LLC, a Delaware limited liability company, with a principal place of business at 7405 SW Tech Center Drive, Suite 120 Tigard, OR 97223 (“we” or “us”), and \_\_\_\_\_, a \_\_\_\_\_ formed and operating under the laws of the State of \_\_\_\_\_ (“you”).

### INTRODUCTION

A. We have developed and own a System (as defined in Section 1(M) below) relating to the development and operation of businesses which solicit, offer for sale and provide janitorial, custodial or other building maintenance services.

B. We license the “National Maintenance Contractors” service mark, and other trademarks (the “Marks” as further described in Section 1(E) below) used in operating the System.

C. We grant qualified persons solely through a qualifying entity the right to develop, own and operate an NMC Business (as further described in Section 1(G) below).

D. You desire to obtain the right to develop and operate an independent NMC Business using the System.

### AGREEMENTS

In consideration of the mutual covenants and agreements stated below, the parties agree as follows:

#### 1. DEFINITIONS

A. “Business” means the NMC Business developed and operated under this Agreement, which markets, offers for sale and provides janitorial, custodial or other building maintenance services and other related products and services, as we designate.

B. “Confidential Information” means the methods, techniques, formats, pricing formulas and strategies, marketing and promotional techniques and procedures, specifications, information, systems and knowledge of and experience in operating and franchising NMC Businesses that we communicate to you or that you otherwise acquire in operating the Business under the System. Confidential Information includes “Customer Data” (as defined in Section 6(C) below) but does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

C. “CoreZ Franchisee” means a franchisee who has been granted the terms and conditions of a CoreZ business.

D. “Gross Sales” means the aggregate amount of all revenues received from sales of goods and services, whether for cash, on credit, bartered or otherwise, made or provided at or in connection with the Business or the Marks. The term “Gross Sales” does not include: (1) any federal, state, municipal or other sales, value added, goods and services or retailer’s excise taxes that you pay or accrue; and (2) adjustments for net returns on salable goods and discounts allowed to customers on sales.

E. “Independent Account” is a customer account that you obtain and to which you provide Services under the terms of this Agreement.

F. “Marks” means the “National Maintenance Contractors” service mark, the “N” design mark, and other trademarks, domain names, logos and commercial symbols that we have designated, or may in the future designate, for use in the System.

G. “NMC Account” is a National Maintenance Contractors<sup>SM</sup> customer account that we obtain and provide you access to in whole or in part (under terms we direct) to provide the Services.

H. “NMC Business” is a National Maintenance Contractors<sup>SM</sup> business which markets, offers for sale and services janitorial, custodial or other building maintenance services and other related products and services using the Marks.

I. “Operating Manager” means, unless we otherwise consent in writing, the Principal Owner who owns a thirty percent (30%) or more interest in your NMC Business. The Operating Manager is responsible for the day-to-day operation of the NMC Business, has the authority to make decisions for the NMC Business and must be your employee. The Operating Manager must meet our minimum standards and satisfactorily complete all requirements we set.

J. “Principal Owner” means any person or entity who directly or indirectly owns a ten percent (10%) or greater interest in your NMC Business. If any corporation or other entity other than a partnership is a Principal Owner, a “Principal Owner” also will mean a shareholder or owner of a twenty percent (20%) or greater interest in such corporation or other entity. If a partnership is a Principal Owner, a “Principal Owner” also will mean each general partner of such partnership and, if such general partner is an entity, each owner of a twenty percent (20%) or greater interest in such general partner.

K. “Products” means those products, including cleaning supplies, which we designate or approve for use in the NMC Businesses that meet our standards of quality and uniformity for the System.

L. “Primary Marketing Area” means the geographic area identified in Exhibit I attached hereto.

M. “Services” means the janitorial, custodial and other building maintenance services and other related services, as we designate, offered for sale and provided in connection with NMC Businesses.

N. “System” means the National Maintenance Contractors<sup>SM</sup> system which includes the solicitation and provision of janitorial, custodial and other building maintenance services and other related products and services, as we designate under the Marks, using the Products, equipment, supplies, Confidential Information, business techniques, methods and procedures, and sales promotion programs, as we periodically may modify and further improve.

## 2. GRANT OF FRANCHISE

A. Grant of Franchise and Primary Marketing Area. Subject to the provisions contained in this Agreement, we grant you a franchise to own and operate an independently owned and operated NMC Business within the Primary Marketing Area and to use the Marks in operating the Business. Your Primary Marketing Area is identified in Exhibit I.

B. Nature of Your Primary Marketing Area. Your Primary Marketing Area is not exclusive and we may operate or license others to operate NMC Businesses, franchisees or through other affiliates

in your Primary Marketing Area as we deem necessary. The license granted to you under this Agreement is personal in nature, may not be used in any other business, does not include the right to sell or provide products or services identified by the Marks in connection with any other business, and does not include the right to sell products or services identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You do not have the right to subfranchise or sublicense any of your rights under this Agreement.

C. Rights Reserved To Us. We (for ourselves and our affiliates) retain all rights not specifically granted to you under this Agreement, including the right:

1. to ourselves operate, or to grant other persons the right to operate, NMC Businesses within and outside the Primary Marketing Area;
2. to sell or provide the products and services authorized for sale from NMC Businesses under trademarks other than the Marks through similar or dissimilar channels of distribution;
3. to sell or provide the products and services authorized for sale through NMC Businesses under the Marks and other affiliates through dissimilar channels of distribution (i.e., other than the operation of NMC Businesses), including by electronic means such as the Internet, by websites we establish, pursuant to conditions we deem appropriate within and outside the Primary Marketing Area; and
4. to advertise the System on the Internet (or any other existing or future form of electronic commerce) and to create, operate, maintain and modify, or discontinue the use of a website using the Marks.
5. to delegate any obligations of ours within this Agreement to the Core-Z (or any other agent) operating within your Primary Marketing Area. This includes but not limited to program support, operation support, quality assurance and office support services.

In addition, we or our affiliates may, as part of our strategic plan, acquire companies that operate the same businesses as NMC Businesses under the acquired name and/or trademark and the acquired companies may have existing businesses operating in your Primary Marketing Area. In those circumstances where the territory of an acquired business overlaps your Primary Marketing Area, we may, with the written agreement of both parties, alter the Primary Marketing Area. If mutual agreement as to the territory definition cannot be reached, we or our affiliate may continue to operate the acquired business.

### 3. TERM OF FRANCHISE; SUCCESSOR AGREEMENT

A. Term. The term of this Agreement will be for five (5) years, commencing on the date of this Agreement (the "Effective Date").

B. Renewal Agreement. You will have the right to enter into a renewal agreement for the Business for up to three (3) additional terms of five (5) years, provided you meet the following conditions:

1. You have given us written notice at least one hundred eighty (180) days before the end of the term of this Agreement of your intention to enter into a renewal agreement;

2. You have complied with all of the material provisions of this Agreement, including the payment of all monetary obligations you owe to us or our affiliates, and have not had three or more notices of failure to comply with our material operating and quality standards and procedures including but not limited to complaints in writing by customers you provide services to, even if they have been subsequently cured;

3. You have at your expense made such reasonable capital expenditures necessary to replace and modernize the supplies and equipment used in the Business so that the Business complies with our then-current standards and specifications for new NMC Businesses;

4. If your franchise is located in the state of Oregon your Gross Sales for all of your franchise agreements with us must average at least Four Thousand Dollars (\$4,000) per month during the twelve (12) month period prior to renewal and you can prove to us that you have at least one Independent Account. If your franchise is located in the state of Washington, you must prove to us that you have at least one employee/worker (part-time or full-time) for the past 12 months and you are current with all required payments to L&I and Employment Department.

5. The Operating Manager completes, any necessary new initiation and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees;

6. You have paid us a Renewal Fee equal to twenty percent (20%) of the cumulative purchase price you paid to us for NMC Accounts you then-currently service, at least thirty (30) days before the term of this Agreement expires.

7. You have paid us the deferred Initial Fee as defined in Section 5 (B) below within at least thirty (30) days before the term of this Agreement expires;

8. You sign the standard Franchise Agreement that we then are using and complete the renewal application process which includes a background check; provided that you will be required to pay the Renewal Fee in lieu of the Initial Franchise Fee stated in the then-current Franchise Agreement; and

9. You and each Principal Owner sign a general release, in form acceptable to us, of all claims against us and our affiliates, officers, directors, employees, and agents.

#### 4. NMC ACCOUNTS AND OFFICE SUPPORT SERVICES

A. Initial NMC Accounts. We will offer you the right to provide Services to one or more NMC Accounts comprising a Business Unit within ninety (90) days following the Effective Date. If we fail to provide you with such an offer within ninety (90) days following the Effective Date, you may terminate this Agreement upon written notice and we will refund your Initial Franchise Fee. If we offer you the right to service an NMC Account and you decline to accept the NMC Account or the customer refuses to accept you as the service provider, we will terminate this Agreement and refund an amount equal to seventy-five percent (75%) of the Initial Franchise Fee paid to us or offer you the right to service a substitute NMC Account, at our discretion. The Initial Franchise Fee thereafter is non-refundable.

B. Replacement NMC Account. Subject to the following, if an NMC Account is discontinued for any reason, other than as a result of the Services you provided or failed to provide, and



you are in full compliance with the terms of this Agreement, we will use our reasonable best efforts to offer you the right to service a replacement NMC Account of similar Gross Sales value (“Replacement Account”) within one hundred and eighty (180) days following the date of our notice to you that the NMC Account was discontinued. A Replacement Account can be one or more accounts that may or may not be similar to the previous account in location or type. If we fail to offer you with the right to service a Replacement Account within that one hundred and eighty (180) day period, you may terminate this Agreement. For certain NMC Accounts that we designate in advance as “Exempt National Accounts,” we will not offer a Replacement Account. We periodically may establish policies which modify the characteristics of an “Exempt National Account” in the Operations Manual.

C. Office Support Services. We, or our designated agent, will offer, for a fee, customer billing and collection services (“Office Support Services”) to you for your designated Independent Accounts. We will provide you with Office Support Services for all NMC Accounts for a fee. For Office Support Services we provide (whether for Independent Accounts or NMC Accounts), we will collect our fee at the time payment is received from the customer. Customers will directly deposit or otherwise make their payments into a segregated bank account (Hereinafter “NMC Clearing Account”). We will receive a disbursement for the Office Support Services we provide for your designated Independent Accounts and for your NMC Accounts directly from the NMC Clearing Account at the time your fees for service are disbursed, semi-monthly on the 12<sup>th</sup> and 28<sup>th</sup> of each month. As described in Section 5(D) below, we may charge you an Office Support Fee in certain circumstances even if you do not request Office Support Services.

D. NMC Accounts. For all NMC Accounts for which you are offered the right to provide services, the parties agree to complete the attached Franchisee Account Acceptance Form as attached as Exhibit III whether the NMC Account is accepted or rejected by you.

## 5. FRANCHISE AND OTHER FEES

A. Initial Franchise Fee. You will pay us an “Initial Franchise Fee” of \_\_\_\_\_ for \_\_\_\_\_ number of Business Units. The Initial Franchise Fee is payable when you sign this Agreement. The Initial Franchise Fee is fully earned by us when we sign this Agreement and is nonrefundable except as noted in 4 A. As part of the Initial Franchise Fee, you will receive the right to provide service to one (1) or more NMC Accounts equal to the number of Business Units purchased (a “Business Unit” is equal to \$ 1,000 in monthly Gross Sales and the Initial Franchise Fee is 5 times the number of Business Units purchased).

B. Additional Business Units. During the term of this Agreement, in our sole discretion, we may grant you the option to purchase additional Business Units and the right to provide service to additional NMC Accounts (hereinafter “Additional NMC Accounts”) at our then-current fee and upon executing a new form franchise agreement. At our election, we may require you to renew the existing NMC Accounts as part of the new franchise agreement. The renewal fee would be prorated for the term remaining under the existing franchise agreement, but all other terms and conditions for renewal would apply. We shall have no other obligations to provide Additional NMC Accounts.

C. Royalty Fee. During the term of this Agreement, you will pay us a monthly non-refundable “Royalty Fee” as follows:

1. six percent (6%) of your Gross Sales generated by your Independent Accounts;  
and
2. ten percent (10%) of the Gross Sales generated by the NMC Accounts for which

you have purchased the right to service or for which you are providing service even if you have not paid the Additional NMC Account Fee.

D. Office Support Fee. During the term of this Agreement, you will pay us a monthly non-refundable "Office Support Fee" as follows:

1. for NMC Accounts, the Office Support Fee shall be fourteen percent (14%) of the Gross Sales generated by all of your NMC Accounts;

2. for Independent Accounts, you will have the right, but will not be required, to accept Office Support Services (as described in Section 4(C)). If you do so, during the term of this Agreement, you shall pay us an Office Support Fee equal to fourteen percent (14%) of Gross Sales generated by the Independent Accounts for which you have requested that we provide the Office Support Services, and you will not pay an Office Support Fee for Independent Accounts for which we do not provide Office Support Services;

E. Payment of Royalty Fees and Office Support Fees. You will pay us the Royalty Fees and Office Support Fees (if applicable) as follows:

1. For your Independent Accounts for which we do not provide Office Support Services, you will collect payment from the customers directly and pay us the Royalty Fee by the 25<sup>th</sup> day of each month based on the previous calendar month's Gross Sales generated by such Independent Accounts; and

2. For Independent Accounts for which you request that we provide Office Support Services and for all NMC Accounts, we will collect from you the Royalty Fees and Office Support Fees due on such accounts by receiving a disbursement of the correct amount paid to us directly from the NMC Clearing Account at the same time as your service fees are disbursed to you on either the 12<sup>th</sup> or 28<sup>th</sup> of the month as the case may be.

F. Electronic Transfer of Funds. You must sign electronic transfer of funds authorizations and other documents as we periodically designate to authorize your bank to transfer, either electronically or through some other method of payment we designate, directly to our account and to charge your account for all amounts due to us from you. Your authorization will permit us to designate the amount to be transferred from your account. In addition, your authorization will permit us to deposit amounts we owe you into your account. You will maintain a balance in your account sufficient to allow us to collect any amounts owed to us when due. You will be responsible for any penalties, fines or similar expenses associated with the transfer of funds described herein. In addition, you will pay us a service charge of One Hundred Dollars (\$100) per occurrence if at any time you do not maintain sufficient funds in your account or otherwise fail to pay us or our affiliates amounts owed when due.

G. Interest on Late Payments. All Royalty Fees, Office Support Fees, and other amounts which you owe to us or our affiliates will bear interest at a rate of eighteen percent (18%) per year or the maximum rate permitted by governing law, whichever is less, from and after the date of accrual until paid. This amount will be in addition to the service charge described in Section 5(F) above.

H. Application of Payments. To the extent you owe any amount of money to us or any of our affiliates, we have the discretion to: (1) apply against such amount any payments received from you, from any NMC Account or from any Independent Account for which we provide Office Support Services; or (2) offset from any such amount or any amount we owe you.

I. Withholding Payments Unlawful. You agree that you will not withhold payment of any Royalty Fees, Office Support Fees or any other amount due us, and that the alleged non-performance or breach of any of our obligations under the Franchise Agreement or any related agreement does not establish a right at law or in equity to withhold payments due us for Royalty Fees, Office Support Fees or any other amounts due.

J. Tax and Fee Indemnification. You will indemnify us and reimburse us for any and all income, capital, gross receipts, sales, goods and services, withholding and other taxes that the state in which the Business is located imposes (including but not limited to unemployment insurance or workers compensation) as a result of your operation of the Business or the license of any of our intangible property in the jurisdiction in which the Business is located. Unless not allowed by your state, you are required to purchase for yourself and any employees any workers compensation and unemployment insurance. If more than one National Maintenance Contractors<sup>SM</sup> franchisee is located in such jurisdiction, they will share the liability in proportion to their Gross Sales from their NMC Businesses, except in the case of sales taxes and gross receipts taxes, which will be divided in proportion to taxable sales to the franchisees. If applicable, this payment is in addition to the Royalty Fee and Office Support Fee payments described above.

K. Collection. We do not guarantee that we can collect amounts owed from the NMC Accounts Customers or from the Independent Accounts Customers for which we provide Office Support Services, although we will use our best efforts to collect such payments. You hereby make us agent to collect amounts due to you and will sign documents and take steps requested by us to assist in collection. In the event we are unable to collect on the amounts owed, you are responsible for the risk of loss of nonpayment.

## 6. DEVELOPMENT AND OPENING OF THE BUSINESS

A. Purchase of Initial Equipment and Supplies Package. Upon execution of this Agreement, you must purchase the "Initial Equipment/Supplies Package" we then-designate in the Operations Manual, which includes, but may not be limited to, equipment, inventory and supplies; advertising and marketing materials such as business cards, sales material, press announcements, vehicle signage and specimen advertisements; administrative material such as letterhead stationery, envelopes, office forms, and route administration forms; training manuals; and NMC uniforms. If you qualify with our affiliate, you may finance all or part of the cost of the Initial Equipment/Supplies Package.

B. Equipment and Vehicles. You will purchase, at your expense, and use in operating the Business only those types of equipment (including cleaning equipment, and computer hardware and software). You may purchase approved types of equipment and signs from any supplier(which may include us and/or our affiliates). If you propose to purchase any equipment or sign not then approved by us, or any items from any supplier not then approved by us, you must first notify us in writing and will provide to us (at our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the equipment or sign complies with our specifications and standards, or the supplier meets our approved supplier criteria. We will make this determination and communicate it in writing to you within a reasonable time. We will have the right to charge you and/or each proposed supplier a fee in reviewing a proposed alternative item or supplier. In addition, you must purchase or lease at least one (1) vehicle that meets our standards and specifications, including all appropriate signage.

C. Computer System. We require you to use in the Business the computer system, including all existing or future communication or data storage systems, components thereof and associated service, which we have developed and/or selected for the System (the "Computer System"). The Computer System

may not be used in connection with any business other than the Business. The Computer System developed for use in your Business may include one or more designated proprietary software programs (the “Designated Software”). You may be required to enter into a computer software access or license agreement in connection with your use of the Designated Software and you will be required to pay us or our designee a computer access development fee as defined and set in the Operations Manual. In addition, we or our designee may charge you a reasonable monthly fee for computer software support we or our designee provide to you respecting the Designated Software. You must have Internet access with a form of high-speed connection as we require. You will use an e-mail address we approve for communication with us. We have the right to designate a single source from whom you must purchase the Computer System, any software or hardware components thereof or associated service, and we or our affiliates may be that single source. You will be required to use and, at our discretion, pay for all future replacements, updates, supplements and modifications to the Computer System, including any replacements, additions or modifications to the Designated Software. We also may access financial information and customer data produced by or otherwise located on your Computer System (collectively the “Customer Data”). We own the Customer Data that is stored on the Computer System and will grant you a license to use the Customer Data during the term of this Agreement. We periodically will establish policies respecting the use of the Customer Data. In satisfying our requirements as to the ownership, collection and use of Customer Data, you must implement all measures necessary, including satisfaction of any customer notice and consent requirements, to comply with applicable federal and state laws.

D. Business Opening. You must begin operating the Business at the earlier of ninety (90) days following the Effective Date or ten (10) days after you receive one or more NMC Accounts, although you may not commence operating your Business until you successfully complete our Initiation Program and we have approved the commencement date of operations.

## 7. FRANCHISE INITIATION AND OPERATING ASSISTANCE

A. Franchise Initiation Program. Before you commence operating the Business, we, or our designated agent, will provide, for up to five (5) individuals, including the Operating Manager, an “Franchise Initiation Program” for the operation of a Business, provided at a place and time we designate. The Operating Manager must complete the Franchise Initiation Program to our satisfaction. The cost of this Franchise Initiation Program is included in your Initial Franchise Fee.

The Franchise Initiation Program will take place over a period of approximately three (3) days at our headquarters or another location we designate. The Franchise Initiation Program includes instruction relating to Business operations, acquiring and use of the equipment and supplies, and understanding cleaning instruction and general safety. We also will provide materials and instruction related to janitorial, custodial and other building maintenance service to allow you to train employees as further described in Section 7(C) below.

After the Business opens, we will provide support (at times we determine) to any new Operating Manager or supervisory employee at your expense. We may require that any Principal Owner, any Operating Manager or any cleaning supervisor attend supplemental and refresher programs that we designate. These programs may cover topics such as cleaning, business development, general safety, sales and marketing, and business operations. We may charge you a reasonable fee for the supplemental and refresher programs.

B. Operating Assistance. We, or our designated agent, will advise you on operational issues and provide assistance in operating the Business as we deem appropriate. Operating assistance may include advice regarding the following:

1. Products and Services authorized for sale at your Business;
2. Marketing your Business to prospective and existing Independent Accounts; and
3. Customer relations, marketing assistance and sales promotion programs and
4. Productivity, quality assurance and process improvement.

We will provide such guidance, in our discretion, through our Operations Manual bulletins or other written materials, telephone conversations and/or meetings at our office or at the Business during an inspection of the Business. We may provide additional assistance for a fee. If such assistance requires a site visit, we will require that you reimburse us for our travel expenses.

C. Operations Manual. We will provide on loan to you, during the term of this Agreement, electronic (Internet) access to or a copy of an operations manual, handbooks and other written materials (collectively, the "Operations Manual") for NMC Businesses. The Operations Manual will contain mandatory and suggested specifications, standards and operating procedures that we develop for NMC Businesses and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. We may add to, and otherwise modify, the Operations Manual to reflect changes in the Products, Services, and specifications, standards and operating procedures of a NMC Business. The master copy of the Operations Manual that we maintain at our principal office or on our website, and make available to you by electronic access, will control if there is a dispute involving the contents of the Operations Manual. The Operations Manual contains Confidential Information and your use of the Operations Manual is subject to all restrictions stated in Section 12 below.

## 8. MARKS

A. Ownership and Goodwill of Marks. You acknowledge that you have no interest in or to the Marks and that your right to use the Marks is derived solely from this Agreement and is limited to the operation of your Business in compliance with this Agreement and all applicable specifications, standards and operating procedures that we require. You agree that your use of the Marks and any goodwill established exclusively benefits us or our affiliates, and that you receive no interest in any goodwill related to your use of the Marks or the System. You must not, at any time during the term of this Agreement or after your termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks.

B. Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Business, but you must identify yourself as the independent owner in the manner we direct. You will be required to operate the Business through a legal entity and you must not use any Mark as part of any corporate or trade name or in any modified form. You may only display the Marks prominently and in the manner we prescribe that is consistent with our branding and marketing plan. Subject to our rights described in this Agreement, you agree to obtain fictitious or assumed name registrations as may be required under applicable law.

C. Restrictions on Internet and Website Use. We retain the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Marks. You have the right to access our website. Except as we may authorize in writing, however, you will not: (1) link or frame our website; (2) conduct any business or offer to sell or advertise any products or services on the Internet (or any other existing or future form of electronic



communication); (3) create or register any Internet domain name in connection with your Business; and (4) use any e-mail address which we have not authorized for use in operating the Business. You will not register, as Internet domain names, any of the Marks or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar.

D. Notification of Infringements and Claims. You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Mark, or any claim by any person of any rights in any Mark or any similar trade name, trademark of which you become aware. You must not communicate with any person other than us and our legal counsel regarding any infringement, challenge or claim. We or our affiliates may take any action we deem appropriate and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Mark. You will sign all documents, provide assistance and take all action as we may reasonably request to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

E. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you respecting the Marks and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks. Subject to Section 18(B) below, we will pay the cost and expense of all litigation we incur, including legal fees, specifically relating to the Marks. We and our affiliates will have the right to control and conduct any litigation relating to the Marks.

F. Changes. You cannot make any changes or substitutions to the Marks unless we so direct in writing. We reserve the right, in our discretion, to modify or discontinue use of any Mark, or to use one or more additional or substitute trademarks. In such event, you will, at your expense, comply with such modification or substitution within a reasonable time after notice by us.

## 9. OPERATING STANDARDS

A. Condition of Equipment and Vehicle. You agree, at your expense, to keep in good working order at all times all equipment and vehicles used in your Business consistent with our standards and specifications. You will, at your expense, make such reasonable capital expenditures necessary to repair, replace and/or modernize the equipment and vehicles used in your Business so that your equipment and vehicles meet the then current standards and specifications for a NMC Business. We may require you to take such action: (1) as a condition to the transfer of any interest as further described in Section 14(B); (2) as a condition to the grant of a renewal term; and (3) otherwise during the term of the Agreement as further described in the Operations Manual. You acknowledge and agree that the requirements of this Section 9(A) are both reasonable and necessary to ensure continued public acceptance and patronage of NMC Businesses and to avoid deterioration or obsolescence relating to your operation of the Business.

B. Self-Operating. You must Self-Operate all NMC Accounts. Self-Operating is defined as the use of yourself, other Principal Owners, the Operating Manager and/or your employees in completing the contracted services. Use of independent contractors is not allowed.

C. Your Hiring and Training of Your Employees. You will hire all employees of the Business, and you are exclusively responsible for the terms of their employment, including training, compensation, scheduling and benefits. You will need to implement a training program to ensure consistent and high quality of work. We can provide you with access to training materials based on generally accepted industry practices to assist you in accomplishing the proper training of your employees. All employees of the Business must be at least eighteen years old.

D. Products, Services, Supplies and Materials. You agree that the Business will only offer for sale the Services we designate and you must use only those Products we approve in providing the Services. You agree that you will not, without our prior written approval, offer at the Business any products or services not then authorized by us for NMC Businesses. If you propose to offer for sale any product or service which we have not approved, you must first notify us in writing and provide sufficient information, specifications and samples concerning the brand and/or supplier to permit us to determine whether the brand complies with our specifications and standards, the supplier meets our approved supplier criteria and/or the services are consistent with our brand image as we determine. We will notify you within a reasonable time whether or not the proposed brand, supplier or service is approved. We may develop procedures for the submission of requests for approved brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by approved suppliers). We reserve the right to charge each proposed supplier or you a reasonable fee in reviewing a proposed brand or supplier. We may impose limits on the number of suppliers and/or brands for any product and service to be used in the Business. You must purchase certain Products from us or our affiliate. You agree that certain other Products, materials, and other items and supplies may only be available from one source, and we or our affiliates may be that source. You must at all times maintain an inventory of Products and related items sufficient in quantity and variety to realize the full potential of the Business. WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, RESPECTING EQUIPMENT (INCLUDING ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE SYSTEM.

We may conduct market research and testing to determine consumer trends and the market for new janitorial cleaning products and related products and services. You agree to participate in our market research programs, test market new products and services in the Business and provide us with timely reports and other relevant information regarding market research. In connection with any test marketing, you must purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell those products and/or services.

E. Standards of Service. You must at all times give prompt, courteous and efficient service to all National Maintenance Contractors<sup>SM</sup> customers you service in the Business. You must, in all dealings with your customers and suppliers and the public, maintain the highest standards of honesty, integrity and fair dealing, and comply with all customer service requirements described in the Operations Manual.

F. Specifications, Standards and Procedures. You acknowledge and agree that each and every detail of the appearance and operation of the Business is important to us and other NMC Businesses. You agree to comply with all mandatory specifications, standards and operating procedures (whether contained in the Operations Manual or any other written or oral communication to you) relating to the appearance or operation of a NMC Business, including:

1. type, quality and uniformity of the Products and Services offered for sale through the Business;
2. methods and procedures relating to marketing and customer service;
3. the safety, maintenance, cleanliness, function and appearance of the Business vehicle(s) and equipment;
4. qualifications, dress, general appearance and demeanor of Business employees;

5. the style, make and/or type of equipment used in operating the Business; and
6. Business advertising and promotion.

G. Compliance with Laws and Good Business Practices. You understand that you as an independent business owner are solely responsible for compliance with all applicable laws, regulations, ordinances relating to the operation of the Business. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Business and must operate the Business in full compliance with all applicable laws, ordinances and regulations. Specifically, you must comply with all laws and regulations respecting employment and labor, including all laws, regulations and ordinances relating to any obligation to pay any withholding taxes, social security, unemployment insurance, workers' compensation insurance, disability insurance, and employee benefits. You further agree to comply with all applicable federal, state and local laws, regulations and ordinances relating to employment practices, including the Employment Retirement Income Security Act of 1974, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Fair Labor Standards Act, the Equal Pay Act, and the National Labor Relations Act. You must notify us in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, equitable award, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect your financial condition or the operation or financial condition of the Business. You will not conduct any business, employment practice or advertising practice which injures our business, the System or the goodwill associated with the Marks and other NMC Businesses.

H. Management of the Business/Best Efforts. You must at all times faithfully, honestly and diligently perform your obligations and continuously use your best efforts to promote and enhance the business of the Business. Importantly, during the term of this Agreement, you must have at least one Independent Account and one paid worker if your monthly Gross Sales average less than \$ 4,000 per month.

I. Role of Operating Manager. The Operating Manager must oversee the operations of the Business. If at any time the Operating Manager is not managing the Business, we may appoint a manager to maintain Business operations on your behalf. Our appointment of a manager of the Business does not relieve you of your obligations or constitute a waiver of our right to terminate this Agreement under Section 15 below. We are not liable for any debts, losses, costs or expenses incurred in operating the Business or to any of your creditors for any products, materials, supplies or services purchased by the Business while it is managed by our appointed manager. We may charge a reasonable fee for management services provided hereunder and cease to provide management services at any time.

J. Insurance. You agree to purchase and maintain in force, at your expense, the insurance we require, as described in the Operations Manual, including the following:

1. workers' compensation and occupational disease insurance which complies with all applicable statutory requirements for each Principal Owner who provides or manages Services for you or otherwise is active in the Business, and for each of your employees. In the event the state you are located in does not allow Principal Owners to purchase and/or receive worker's compensation insurance or benefits, you must purchase comparable insurance as further described in the Operations Manual;
2. comprehensive general liability insurance, including products liability, property damage, and personal injury coverage;



3. unemployment compensation insurance;
4. automobile liability insurance for owned and non-owned business vehicles including personal injury, wrongful death and property damage; and
5. such additional insurance as may be required under any NMC Account or Independent Account.

All insurance policies will: (i) be in the amounts we specify in the Operations Manual or otherwise in writing, but no less than the minimum limits that satisfy applicable state law requirements; (ii) issued by an insurance carrier(s) in good standing and in compliance with all federal, state and other insurance laws and otherwise acceptable to us; (iii) will name us and our affiliates as an additional insured (as applicable); (iv) contain a waiver of the insurance company's right of subrogation against us; (v) contain the above-mentioned insurance coverage for each NMC Business that you operate; and (vi) provide that we will receive thirty (30) days' prior written notice of a material change in or termination, expiration or cancellation of any policy. We periodically may, with prior written notice to you, increase the minimum liability protection requirements, and require different or additional kinds of insurance to reflect inflation or changes in standards of liability. If you at any time fail to maintain in effect any insurance coverage we require, or to furnish satisfactory evidence thereof, we, at our option, may obtain insurance coverage for you. You agree to promptly sign any applications or other forms or instruments required to obtain any insurance and pay to us, on demand, any costs and premiums we incur. You will provide us with a copy of the certificate of insurance in compliance with these requirements within two (2) weeks before you take possession and commence development of the Business premises. In addition, you will provide us with a copy of the certificate of or other evidence of the renewal or extension of each insurance policy.

You acknowledge and agree that you are not entitled to participate in our health, medical or similar plans or to receive any health, medical or similar coverage from or through us under this Agreement, nor are your employees a covered employee under the Company's workers' compensation insurance benefit program. You further acknowledge as an independent business entity that this Agreement will not require us to carry or provide workers' compensation or reemployment insurance for you or your employees, nor will we be obligated to provide you with insurance or protection from liability to any third party that may arise out of your Business operations.

K. Participation in Internet Website. At our request, you will participate in a National Maintenance Contractors<sup>SM</sup> website listed on the Internet or other online communications, participate in any intranet system we control and use an e-mail address we designate. We will, at our discretion, determine the content and use of a National Maintenance Contractors<sup>SM</sup> website and intranet system and will establish rules under which franchisees may or will participate. We will retain all rights relating to the National Maintenance Contractors<sup>SM</sup> website and intranet system and may alter or terminate the website or intranet system upon thirty (30) days' notice to you. Your general conduct on the Internet and the National Maintenance Contractors<sup>SM</sup> intranet system, and specifically your use of the Marks or any advertising on the Internet (including the domain name and any other Marks we may develop as a result of participation in the Internet), will be subject to the provisions of this Agreement. You acknowledge that certain information obtained through your online participation in the website or intranet system is considered Confidential Information (as defined in Section 1(B) above), including access codes and identification codes. Your right to participate in the National Maintenance Contractors website or intranet system or otherwise use the Marks or the System on the Internet will terminate when this Agreement expires or terminates.

L. Advertising/Marketing. You must use your best efforts to advertise and promote the

Business. You will review advertising and promotional materials in promoting the Business with us to ensure proper use of our tradename or intellectual property. If we do not respond within ten (10) days from the date we receive your proposed materials, you may use such materials provided they otherwise comply with this Agreement. If we later determine that such advertising materials do not satisfy our then-current advertising and promotional standards, you will cease using such materials upon written notice from us. You will use your best efforts to promote and advertise the Business and will participate in mandatory advertising and promotional programs we establish in the manner we direct. You will have the right to advertise and sell the Products and Services to Independent Accounts at whatever prices you determine.

#### 10. RECORDS AND REPORTS

A. Accounting and Records. During the term of this Agreement, you will, at your expense, maintain and retain for a minimum of seven (7) years from the date of their preparation, complete and accurate books, records and accounts (using such methods and systems of bookkeeping and accounting as we may require) relating to the Business (the “Records”), in the form and manner we direct in the Operations Manual or otherwise in writing. The Records will include the following: (1) cash disbursements journal and weekly payroll register; (2) copies of all government mandated forms, certifications and affidavits; (3) monthly bank statements and daily deposit slips and canceled checks; (4) all tax returns relating to the Business and of each of the Principal Owners; (5) suppliers’ and customers’ invoices (paid and unpaid); (6) quarterly profit and loss statements; and (7) such other records and information as we periodically may request. You will be permitted to preserve Records and submit reports electronically, consistent with our requirements. You must use our approved vendor(s) (if so designated) for accounting and payroll services.

B. Reports and Tax Returns. You will deliver to us or provide us access to the following: (1) statements relating to Gross Sales accompanying your payment of monthly Royalty Fees for all Independent Accounts; (2) at our request, by April 15th, an annual profit and loss statement and source and use of funds statement for the Business for the year and a balance sheet for the Business as of the end of the year, reviewed by an independent chartered accountant; and (3) at our request, all tax returns relating to the Business and of each of the Principal Owners. You also will provide to us copies of all Records and other information and supporting documents as we designate. All financial statements, reports and information must be on forms we approve and signed and verified by you. Your fiscal year end must be December 31<sup>st</sup>.

#### 11. INSPECTION AND AUDITS

A. Our Right to Inspect the Business. To determine whether you are complying with this Agreement, we may, at any time during business hours and without prior notice to you, inspect the equipment that you use in your Business or inspect the Services you provide. You will fully cooperate with our representatives making any inspection and will permit our representatives to take photographs or videotapes of the office and vehicles and to interview employees and customers of the Business.

B. Our Right to Examine Books and Records. We may, at all reasonable times and without prior notice to you, examine, audit, or request copies of the Records, including the books, records and state and/or federal income tax records and returns of any Principal Owner. You must maintain all Records and supporting documents at all times at a designated premises. You will make financial and other information available at a location we reasonably request, and will allow us (and our agents) full and free access to any such information at the Business. You otherwise will fully cooperate with our representative and independent accountants hired to conduct any examination or audit.

C. Result of Audit; Unreported Gross Sales. If any examination or audit discloses an

understatement of Gross Sales, you will pay to us, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees and Office Support Fees due on the amount of the understatement, plus interest (at the rate provided in Section 4(G) above) from the date originally due until the date of payment. You must reimburse us for the cost of the audit or examination, including the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, if: (1) an examination or audit is necessary because you failed to timely provide required information; or (2) any examination or audit results in a determination that Gross Sales for any month are understated by greater than two percent (2%). The foregoing remedies are in addition to all other remedies and rights of ours under applicable law.

## 12. CONFIDENTIAL INFORMATION/IMPROVEMENTS

A. Confidential Information. You acknowledge and agree that you do not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Business pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary and is our trade secret and is disclosed to you solely on the condition that you agree that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Business employees; and (5) will sign a Confidentiality Agreement and will require all Business managers and other employees and agents with access to Confidential Information to sign such an agreement in a form we approve.

The restrictions on your disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent you are legally compelled to disclose this information, if you use your best efforts to maintain the confidential treatment of the Confidential Information, and provides us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

B. Improvements. You must fully and promptly disclose to us all ideas, concepts, methods, techniques, improvements, additions and Customer Data relating to the development and/or operation of a NMC Business or the System, or any new trade names, or other commercial symbols, or associated logos relating to the operation of the Business, or any advertising or promotion ideas related to the Business (collectively, the “Improvements”) that you and/or your employees conceive or develop during the term of this Agreement. You agree that we have the perpetual right to use and authorize others to use the Improvements without any obligation to you for royalties or other fees.

## 13. COVENANTS

A. Non-Solicitation of Customers/Employees. You covenant that, during the term of this Agreement, and for a period of one (1) year thereafter, you will not, directly or indirectly: (1) divert or attempt to divert any business, account or customer of the Business or any other NMC Businesses or the System to any competing business; and (2) employ or seek to employ any person employed by us or our affiliates, or any other person who is at that time operating or employed by or at any other NMC Business, or otherwise directly or indirectly induce such persons to leave their employment.

B. Covenant Not To Compete During Term. You (and each Principal Owner and any

manager) will not, during the term of this Agreement, directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business that performs, markets, sells or otherwise deals in, any commercial cleaning services, or any other related business that offers janitorial, custodial or other building maintenance services then-offered by NMC Businesses, except: (1) with our prior written consent; or (2) the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represent one percent (1%) or less of that class of securities.

C. Post-Term Covenant Not To Compete. During the term of this Agreement and during the twelve (12) months following its end you (and each Principal Owner and any Operating Manager), will not directly or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, having any interest in, or assist any person or entity engaged in any business that performs, markets, sells or otherwise deals in, any commercial cleaning services, or any other related business that offers janitorial, custodial or other building maintenance services then-offered by NMC Businesses except with our prior written consent. Please note that the ownership of securities listed on a stock exchange or traded on the over-the-counter market that represents one percent (1%) or less of that class of securities is not a violation of this Covenant.

D. Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of any covenant in this Section in that injunctive relief is essential for our protection. You therefore agree that we may seek injunctive relief without posting any bond or security, in addition the remedies that may be available to us at equity or law, if you or anyone acting on your behalf violates any covenant in this Section. The covenants stated in this Section will survive the termination or expiration of this Agreement.

#### 14. ASSIGNMENT

A. By Us. This Agreement is fully assignable by us and benefits our successors and assigns. Any such assignment will require the assignee to fulfill our obligations under this Agreement.

B. Your Assignment or Sale of Substantially All of Your Assets. You understand that we have relied on your individual or collective character, aptitude, attitude, business ability and financial capacity in granting you the franchise under this Agreement. You and your Principal Owners will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, the Business, substantially all or all of the assets of the Business, this Agreement or any “controlling interest” in you (“controlling interest” to include a proposed transfer of fifty percent (50%) or more of the common (voting) shares of you or of the ownership interest in you) unless you obtain our prior written consent. We will not unreasonably withhold our consent to an assignment, provided you comply with any or all of the following conditions which we may, in our discretion, deem necessary:

1. All of your accrued monetary obligations to us and our affiliates have been satisfied, and you otherwise are in good standing under this Agreement;

2. The transferee-franchisee (or the Principal Owners, if applicable) is approved by us and demonstrates to our satisfaction that he/she meets our managerial, financial and business standards for new franchisees, possesses a good business reputation and credit rating, and has the aptitude and ability to conduct the Business. You understand that we may communicate directly with the transferee-franchisee during the transfer process to respond to inquiries, as well as to ensure that the transferee-franchisee meets our qualifications;

3. The transferee-franchisee enters into a written agreement, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations and covenants under this Agreement for the remainder of the term or, at our option, signs our then-current standard form of franchise agreement for a full term (which agreement may provide rights and obligations different from those provided in this Agreement, including different Royalty Fees and Office Service Fees);

4. The transferee-franchisee successfully completes the Franchise Initiation Program required of new franchisees;

5. You pay us an assignment fee equal to the lesser of Five Thousand Dollars (\$5,000); or twenty percent (20%) of the purchase price if we found the transferee-franchisee or ten percent (10%) of the purchase price if you found the transferee-franchisee. There is no assignment fee due upon transfer to heirs or immediate family members; and

6. We approve the material provisions of the assignment or sale of assets, which assignment or sale cannot permit you to retain a security interest in this Agreement or any other intangible asset.

We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 14(B), and may do so through the Operations Manual or otherwise in writing.

C. Your Death or Disability. If the Operating Manager dies or is permanently disabled, the executor, administrator or other personal representative, or the remaining Principal Owners, must appoint a competent manager acceptable to us within a reasonable time, not to exceed thirty (30) days, from the date of death or permanent disability. The appointed manager must satisfactorily complete our designated program(s). If a manager we approve is not appointed within thirty (30) days after your death or permanent disability, we may, but are not required to, appoint a manager to maintain Business operations on your behalf until an approved assignee can assume the management and operation of the Business. Our appointment of a Business manager does not relieve you of your obligations, and we will not be liable for any debts, losses, costs or expenses incurred in operating the Business or to any creditor of yours for any products, materials, supplies or services purchased by the Business while it is managed by our appointed manager. We may charge a reasonable fee for management services and may cease to provide management services at any time.

If the Operating Manager dies or is permanently disabled, the executor, administrator, or other personal representative must transfer his interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we approve. Such transfers, including transfers by devise or inheritance will be subject to conditions contained in Section 14(B) above.

D. Our Right of First Refusal. If you or your Principal Owners at any time desire to sell or assign for consideration the franchise, the Business, an ownership interest representing (in the aggregate through one or more in a series of transactions) fifty percent (50%) or more of the ownership in you or all or substantially all of your assets, you or your Principal Owners must obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and must deliver a copy of the offer to us. We have the right, exercisable by written notice delivered to you or your Principal Owners within thirty (30) days following receipt of the proposed offer, to purchase the interest in the Business or ownership interest in you for the price and on terms contained in the offer. We may substitute cash for any non-cash form of payment proposed in the offer and will have a minimum of sixty (60) days to prepare for closing. If we do not exercise our right of first refusal, you or your Principal Owners may complete the sale to the



proposed purchaser under the terms of the offer, provided you and the Principal Owners otherwise comply with this Section 14. If the sale to the proposed purchaser is not completed within one hundred twenty (120) days after delivery of the offer to us, or if there is a material change in the terms of the sale, we again have the right of first refusal.

E. Guaranty. All Principal Owners must sign the Guaranty and Assumption Agreement in the form attached to this Agreement as Exhibit II (the “Guaranty Agreement”). Any person or entity that at any time after the date of this Agreement becomes a Principal Owner of you under the provisions of this Section 14 or otherwise will, as a condition of becoming a Principal Owner, sign the Guaranty Agreement. You will furnish to us at any time upon reasonable request a certified copy of the Articles of Incorporation or Articles of Organization and a list, in a form we reasonably require, of all shareholders or members of record and all persons having a beneficial interest in each corporation or other entity that is or becomes a franchisee.

## 15. OUR TERMINATION RIGHTS

A. Termination of Franchise Agreement - Grounds. You will be in default, and we may, at our option, terminate this Agreement or any agreement between us (including but limited to other franchise agreements or promissory notes (accelerate the amount owed)), as provided herein, if: (1) the Operating Manager fail to satisfactorily complete the Franchise Initiation Program; (2) if you fail to commence operations of the Business by the date required under Section 6(D) above; (3) you violate any material provision or obligation of this Agreement; (4) you or any of your managers, directors, officers or any Principal Owner make a material misrepresentation or omission in the application for the franchise; (5) you or any of your managers, directors, officers or any Principal Owner is convicted of, or pleads guilty to or no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe will injure the System, the Marks or the goodwill associated therewith, or if we have proof that you have committed such a crime or offense; (6) you fail to conform to the material requirements of the System or the material standards of uniformity and quality for the products and services as described in the Operations Manual or as we have established in connection with the System; (7) you fail to timely pay Royalty Fees or Office Support Fees or any other obligations or liabilities due and owing to us or our affiliates or suppliers we approve as a source for required items; (8) you are insolvent within the meaning of any applicable state or federal law; (9) you make an assignment for the benefit of creditors or enter into any similar arrangement for the disposition of your assets for the benefit of creditors; (10) you voluntarily or otherwise “abandon” (as defined below) the Business; (11) you are involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the name “National Maintenance Contractors” or any other Mark or the System; (12) you or a Principal Owner make an unauthorized assignment or transfer of this Agreement, the Business or an ownership interest in you; (13) you are in default or breach of any other agreement between you and us, and (14) you develop or use an unapproved website in connection with the Business or otherwise conduct any unauthorized activity on the Internet in violation of Section 8(C) above. The term “abandon” means your failure to communicate with us or potential customers for a period of three (3) consecutive business days without our prior written consent or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Business, unless such failure is due to an event of “*force majeure*” as further described in Section 20(J) below.

B. Procedure. Except as described below, you will have thirty (30) days, or such longer period as applicable law may require, after your receipt from us of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to us. If you fail to correct the alleged default within that time (or such longer period of time as applicable law may require), this Agreement will terminate without further notice to you effective immediately when the thirty (30) day period (or such longer period as applicable law may require) expires. We may terminate this Agreement immediately upon

delivery of written notice to you, with no opportunity to cure, if the termination results from any of the following: (1) you fail to comply with one or more material requirements of this Agreement on three (3) separate occasions within any twelve (12) month period; (2) the nature of your breach makes it not curable; (3) you willfully and repeatedly deceive customers relative to the source, nature or quality of goods sold; (4) any default under items (4), (5), (8), (9), (10), (11), (12) or (13) in Section 15(A) above; or (5) you willfully and materially falsify any report, statement, or other written data furnished to us either during the franchise application process or after you are awarded a franchise. Any report submitted under Section 10(B) will be conclusively deemed to be materially false if it understates Gross Sales by more than five percent (5%).

C. Applicable Law. If the provisions of this Section 15 are inconsistent with applicable law, the applicable law will apply.

#### 16. YOUR TERMINATION RIGHTS

A. Termination without Cause. You may elect to terminate this Agreement at any time without cause provided that you:

1. give us ninety (90) days prior written notice of termination;
2. pay us a termination fee equal to the greater of Five Hundred Dollars (\$500) or 15% of your Gross Sales for both your NMC and Independent Accounts over the preceding twelve (12) month period;
3. You and each Principal Owner sign a general release, in a form reasonably acceptable to us.

B. Termination with Cause. Except as described in Sections 4(A), 4(B) and 16(A), you may terminate this Agreement if we violate any material obligation of ours to you and fail to cure such violation within sixty (60) days after our receipt of written notice from you; provided, however, that you are in substantial compliance with the Agreement at the time of giving such notice of termination. Your written notice will identify the violation and demand that it be cured.

#### 17. YOUR OBLIGATIONS UPON TERMINATION

A. Post-Term Duties. If this Agreement expires or is terminated for any reason other than a termination as a result of a breach by us, you will:

1. within ten (10) days after termination, pay all amounts due and owing to us or our affiliates, including all Royalty Fees, Office Support Fees, accelerated Promissory Notes (signed under separate agreements), and accrued interest due under this Agreement;
2. discontinue using, and return to us by a reputable overnight delivery service any hard copies of, the Operations Manuals, any Designated Software and any other manuals, advertising materials, and all other printed materials relating to the operation of the Business;
3. assign to us or, at our discretion, disconnect the telephone number for the Business. You acknowledge that we have the sole right to and interest in all telephone numbers and directory listings associated with the Marks, and you authorize us, and appoint us as your solicitor-in-fact, to direct the telephone company and all listing agencies to transfer such numbers and listings to us;
4. remove all signs, posters, fixtures, decals, wall coverings and other materials from the equipment and any vehicles used in the Business that are distinctive of the Business or bear the

name “National Maintenance Contractors” or other Marks so that the equipment and vehicles are easily distinguished from other NMC Businesses and vehicles;

5. take all necessary action to cancel all fictitious or assumed name or equivalent registrations relating to your use of any of the Marks;

6. immediately cease using Confidential Information and return to us all documents in your possession that contain Confidential Information;

7. comply with all other applicable provisions of this Agreement and any other agreement referenced herein, including the non-compete provisions described in Section 13 above; and

8. return to us or the applicable customer all access codes, keys and similar property belonging to all National Maintenance Contractors<sup>SM</sup> customers for which you provided Services.

Upon termination of this Franchise Agreement for any reason, your right to use the name “National Maintenance Contractors” and the other Marks and the System will immediately terminate and you (and the Principal Owners) will not in any way associate yourself/themselves as being associated with us. If you fail to remove all signs and other materials bearing the Marks, we may do so at your expense.

B. Continuing Obligations. All obligations of us and you which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect following its expiration or termination and until they are satisfied or expire.

#### 18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. Relationship of the Parties. We and you are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venture or employee of the other. Neither party will independently obligate the other to any third parties or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence. You must conspicuously identify yourself in all dealings with customers, employees, contractors, suppliers, public officials and others as the owner of the Business under a franchise agreement from us, and must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as we require. You will have no authority to bind us in any matter, and will have no right to participate in any of our presently existing or future employee benefits or employee benefit plans, including stock option plans, retirement plans, medical plans, or other benefits provided to our employees. So long as your responsibilities as a franchisee are being performed, we will not control or direct the details, manner or means by which you perform your obligations and responsibilities.

B. Your Indemnification Obligations. You agree to indemnify and hold us and our subsidiaries, affiliates, shareholders, members, directors, officers, employees and agents harmless against, and to reimburse us and them for, any loss, liability or damages arising out of or relating to your ownership or operation of the Business, and all reasonable costs of defending any claim brought against any of us or them or any action in which any of us or them is named as a party (including reasonable legal fees) unless the loss, liability, damage or cost is solely due to our negligence.

C. Our Indemnification Obligations. If you are in full compliance with this Agreement, we agree to indemnify and hold you and your officers, directors and agents harmless against, and to reimburse you and them for, any loss, liability or damage solely arising from or relating to our negligence or attributable to agreements, representations or warranties of us, and all reasonable costs of defending



any claim brought against you or them or any action in which you or them are named as a party (including reasonable legal fees).

D. Survival. The indemnities and assumptions of liabilities and obligations continue in full force and effect after the expiration or termination of this Agreement, and applies to all claims even if they exceed the limits of your insurance coverage.

## 19. DISPUTE RESOLUTION

A. Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 19(B) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitability of any matter) will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in Minneapolis, Minnesota. The arbitrator(s) will have a minimum of five (5) years experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance we establish. Any arbitration proceeding will be limited to controversies between you and us, and will not be expanded to include any other National Maintenance Contractor<sup>SM</sup> franchisee or include any class action claims. This Section 19 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of arbitrator(s) may be entered in any court having jurisdiction thereof. During any arbitration proceeding, we and you will fully perform our respective obligations under this Agreement.

B. Injunctive Relief. Notwithstanding Section 19(A) above, you recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other National Maintenance Contractors<sup>SM</sup> franchisees. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to injunctive relief restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of legal fees and expenses and other costs incurred in obtaining such equitable relief, until such time as a final determination is made by a court having proper jurisdiction.

C. Costs and Expenses. The nonprevailing party will pay all costs and expenses that the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

## 20. ENFORCEMENT

A. Severability. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or

unenforceable, the prior notice and/or other action required by law or rule will be substituted for the comparable provisions.

B. Waiver of Obligations. Our waiver of any breach by you, or our delay or failure to enforce any provision of this Agreement, will not be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights respecting that or any other breach.

C. Rights of Parties are Cumulative. The rights of you and us are cumulative and no exercise or enforcement by either party of any right or remedy precludes the exercise or enforcement by such party of any other right or remedy to which such party is entitled by law or equity to enforce.

D. Venue. Any claims, controversies or disputes arising out of or related to this Agreement that are not subject to mediation as provided above, will be brought in applicable state or federal court. Each of us and you irrevocably consents to the jurisdiction in Hennepin County, Minnesota. The provisions of this Section 20(D) will survive the termination of this Agreement.

E. Governing Law. Subject to our rights under federal trademark laws, this Agreement will be governed by and construed under the laws of the state in which the Business is located, without regard to any conflict of laws principles of such state. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through any state franchise or business opportunity laws, other than those of the state in which the Business is located.

F. Limitations on Claims. Any and all claims arising out of or relating to this Agreement or the Business will be barred unless an action or legal or arbitration proceeding is commenced before the expiration of the earlier of: (i) the time period for bringing an action under any applicable state or federal statute of limitations; (ii) one (1) year after the first act or omission giving rise to an alleged claim. Notwithstanding anything in this paragraph to the contrary, our claims attributable to your underreporting of Gross Sales, claims of the parties for indemnification, and our claims related to its rights under any of the Marks will be subject only to the applicable state or federal statute of limitations.

G. Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both you and us. Except as provided above, this Agreement is not intended, and will not be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

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

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

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise "reasonable business judgment" in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action

also promotes a financial or other individual interest of us. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact), will substitute its judgment for our reasonable business judgment.

I. Waiver of Punitive Damages. You and we and our affiliates agree to waive, to the fullest extent permitted by law, the right to or a claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained by it.

J. Force Majeure. If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party, such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

K. Notice of Our Potential Profit. We advise you that we and/or our affiliates will make available to you goods, products and/or services for use in the Business on the sale of which we and/or our affiliates will make a profit. We further advise you that we and our affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to you or in consideration for services provided or rights license to such persons. You agree that we and our affiliates will be entitled to such profits and consideration.

L. Entire Agreement. The “Introduction” section, the exhibit(s) to this Agreement, and that certain Disclosure Acknowledgment Agreement signed contemporaneously by you are a part of this Agreement, which represents the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in this Agreement is intended to disclaim representations we made in the franchise disclosure document we furnished to you.

## 21. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement are deemed so delivered at the time delivered by hand, one (1) business day after sent by a recognized overnight delivery service which requires a written receipt, or three (3) business days after placed in United States or Canadian Mail by registered mail, return receipt requested, postage prepaid and addressed to the party to be notified at the address stated herein or at such other address as may have been designated in writing to the other party.

## 22. ACKNOWLEDGEMENTS

A. Success of Franchised Business. The success of the business venture you intend to undertake under this Agreement is speculative and depends, to a large extent, upon your (or the Principal Owner’s) ability as an independent businessman, and your active participation in the daily affairs of the Business as well as other factors. We do not make any representation or warranty, express or implied, as to the potential success of the business venture.

B. Independent Investigation. You acknowledge that you have entered into this Agreement after making an independent investigation of our operations and not upon any representation as to gross revenues, volume, potential earnings or profits which you might be expected to realize, nor has anyone made any other representation, which is not expressly stated herein, to induce you to accept this franchise

and sign this Agreement.

C. Receipt of Documents. You represent and acknowledge that you have received our Franchise Disclosure Document. You represent that you have read this Agreement in its entirety and that you have been given the opportunity to clarify any provisions that you did not understand and to consult with a lawyer or other professional advisor. You further represent that you understand the provisions of this Agreement and agree to be bound.

D. Other Franchises. You acknowledge that our other franchisees have or will be granted franchises at different times and in different situations, and further acknowledge that the provisions of such franchises may vary substantially from those contained in this Agreement.

The parties have signed this Agreement on the date stated in the first paragraph.

WE:

YOU:

NMC Franchising, L.L.C.,  
a Delaware limited liability company

\_\_\_\_\_  
Name of corporation or other legal entity

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

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

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

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

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

**Franchise Agreement**  
**EXHIBIT I**

**BUSINESS LOCATION AND PROTECTED AREA**

This Exhibit is attached to and is an integral part of the National Maintenance Contractors<sup>SM</sup> Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), between us and you.

1. Primary Marketing Area. The Primary Marketing Area will be either: (A) The county in which you reside; or (B) described on the map attached to this Exhibit I-A.

2. Defined Terms. All capitalized terms contained in this Exhibit and not defined herein will have the same meaning as provided in the Franchise Agreement.

**Franchise Agreement**

**EXHIBIT II**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

In consideration of the execution of that certain Franchise Agreement of even date (the “Agreement”) by NMC Franchising, L.L.C. (“we” or “us”), each of the undersigned (a “Guarantor”) personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that \_\_\_\_\_ (List Individual(s)) (“you”) will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement. Further, the Guarantors, individually and jointly, agree to be personally bound by each and every condition and term contained in any Franchise Agreement(s), promissory notes or other agreements entered into now or in the future, including the confidentiality provisions contained in Section 12 and the non-compete provisions contained in Section 13 and agree that this Guaranty will be construed as though each of the Guarantors executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor’s liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and your other Guarantors;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor’s liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor’s liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable legal fees and all costs and other expenses we incur in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN FRANCHISEE

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## Franchise Agreement

**EXHIBIT III**

## FRANCHISEE ACCOUNT ACCEPTANCE FORM

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

ACCOUNT ACCESS BEING OFFERED BY NMC: \_\_\_\_\_

**FRANCHISEE GROSS PAY FOR ACCOUNT OFFERED:** \_\_\_\_\_

Tenant Flow: ☐ YES or ☐ NO (If YES, Pay changes with occupancy)  
 Public Works\*: ☐ YES or ☐ NO (If YES, you must pay any fees associated with the required filing of affidavits and intents with the state. See additional notes below.)  
 Floor #: \_\_\_\_\_ Floor Pay: \_\_\_\_\_ Floor #: \_\_\_\_\_ Floor Pay: \_\_\_\_\_ Floor #: \_\_\_\_\_ Floor Pay: \_\_\_\_\_  
 Days serviced per week: ☐ S ☐ M ☐ T ☐ W ☐ TH ☐ F ☐ SAT ☐

\* If applicable (WA Public Works accounts only) require the hourly pay rate for employees to be at or above the then current prevailing wage. For current rates go to: [www.lni.wa.gov](http://www.lni.wa.gov)

I, the undersigned franchise was shown the above account and received a copy of the specifications. I understand that I will have 24 hours to decide to either accept or reject the offer to provide service to this account. I also understand that upon accepting this account I agree to provide services for 90 days and I must give a minimum of 30 days notice if I wish to leave the account for any reason. A longer period of time may be required to find a qualified replacement and I agree to continue providing services to the account until such replacement has been located by NMC. I also understand and agree that the customer can reject my services for any or no reason and if rejected my sole recourse is a return of any fees paid to NMC.

Y / N attachment – Any special terms and conditions such as insurance requirements may be attached and incorporated herein by reference.

I also understand that any employee(s) of mine who may be working at the account, that person must have completed all training, be 18 years of age and must have essential photo identification badge worn at all times when working in an NMC account. If a uniform is required by the account being serviced, I also agree to ensure all of my employees comply with the requirement of the NMC serviced account.

I hereby **ACCEPT / REJECT** (Circle One) access to the account being offered and I or my employee will wear essential photo identification while working in any NMC serviced account:

I, \_\_\_\_\_, have been shown this account on, date \_\_\_\_\_.

**If Accepting:**\_\_\_\_\_  
FRANCHISEE SIGNATURE\_\_\_\_\_  
DATE SHOWN\_\_\_\_\_  
NMC REPRESENTATIVE\_\_\_\_\_  
START DATE

**If Rejecting:** (State reasons for rejection) \_\_\_\_\_

**Franchise Agreement**



**EXHIBIT IV**  
**WASHINGTON FRANCHISE AGREEMENT ADDENDUM**

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

NMC Franchising LLC

Franchisee

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

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

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

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

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

Franchise Agreement  
EXHIBIT V  
ACKNOWLEDGMENT AGREEMENT

Applicant \_\_\_\_\_  
(If corporation) State of Incorporation \_\_\_\_\_  
Address of Applicant \_\_\_\_\_

1. I have received all appropriate disclosure documents for the State(s) of \_\_\_\_\_ at least fourteen (14) calendar days, exclusive of the day I received them and the day I signed them, before signing the Franchise Agreement and/or payment of any monies.

2. I have signed and returned to the Regional Franchise Director the acknowledgment of receipt for each disclosure document given me.

3. I have had an opportunity to read the Franchise Agreement thoroughly and understand all of its covenants and obligations and my obligations as a franchisee of the National Maintenance Contractors system. I understand that the Franchise Agreement contains all obligations of the parties and that National Maintenance Contractors does not grant to me under the Franchise Agreement any right of first refusal.

4. I understand that this franchise business, as in all business ventures, involves risk and despite assistance and support programs, the success of my business will depend largely upon me and my ability.

5. Except for fill in the blank provisions or for negotiated changes that I initiated, I received a copy of the revised Franchise Agreement or related agreement at least seven (7) calendar days before the date on which the Franchise Agreement or related agreement was signed.

6. I have had no promises, guarantees or assurances made to me and no information provided to me relative to earnings, revenues, profits, expenses or projected revenues for this franchise, except as disclosed in the disclosure document. If I believe that I have received any such promises, guarantees, assurances or information, I agree to describe it below (otherwise write "None").

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

Applicants' Acknowledgment:

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

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

Franchise Agreement  
EXHIBIT VI  
**SECURED PROMISSORY NOTE**

FOR: \_\_\_\_\_

\$ \_\_\_\_\_ Date: \_\_\_\_\_, 20\_\_\_\_

The undersigned ("Franchisee"), for value received, jointly and severally promise to pay to the order of NMC Franchising, LLC, a Delaware Limited Liability Corporation ("Franchisor"), at 7405 SW Tech Center Drive, Suite 120 Tigard, OR 97223 or at such other place as the holder of this Promissory Note ("Note") periodically may designate in writing, the principal sum of \$\_\_\_\_\_, together with interest on the unpaid balance of the principal and interest, beginning as of the date hereof, computed at a fixed rate of 6% percent annually until fully paid.

Franchisee acknowledges that the principal amount of this Note arose under and remains due under the Franchise Agreement between Franchisor and Franchisee, dated \_\_\_\_\_, 20\_\_\_\_ (the "Franchise Agreement"), and that Franchisor's acceptance of this Note does not represent a cure, satisfaction, or discharge of any of Franchisee's obligations under the Franchise Agreement, and does not represent a waiver or relinquishment of any rights or remedies that Franchisor may have under the Franchise Agreement.

Franchisor will advance the principal sum noted above to Franchisee. Principal and interest are due and payable in up to \_\_\_\_\_ consecutive monthly installments and Franchisee's payment obligations under this Note, will commence on the sooner of the 5<sup>th</sup> day of the month following the first invoice paid by the customer or 90 days from the date of this Note and will continue on the 5th day of each month until all principal and accrued interest is paid in full. The Note Payments will be first applied to the accrued interest under this Note and then applied to the principal of the Note.

The entire unpaid principal balance and all accrued but unpaid interest under this Note will be immediately due and payable as a balloon payment upon the earlier of: (1) the expiration of the Franchise Agreement; (2) the termination of the Franchise Agreement; or (3) a "transfer" occurs (as defined in the Franchise Agreement).

Franchisee may prepay this Note in whole at any time or in part from time to time, in multiples of \$100.00 without penalty, provided that such prepayments are made on dates when installments of principal are due. Each such prepayment will be applied first against accrued interest and the balance, if any, to the reduction of principal. Franchisor's failure or delay to exercise any right or remedies hereunder or afforded by applicable law will not operate as a waiver thereof. Such failure or delay will not be construed as a bar to or waiver of such right or remedy on a future occasion.

Franchisee agrees to pay all costs of collecting or enforcing payment or performance under this Note, together with reasonable attorneys' fees and legal expenses at any time paid or incurred by the holder hereof, whether suit be brought or not.

Franchisee waives presentment, protest and demand, delinquency, notice of protest, demand and dishonor, and any other notice otherwise required to be given by law in connection with the delivery, acceptance, performance, default, enforcement or collection of this Note, and expressly agrees that this Note, or any payment hereunder, may periodically be extended or subordinated, without affecting the liability of Franchisee.

Any default by Franchisee under the Franchise Agreement after the date of this Note will constitute a default under this Note. Any default under this Note will constitute a default under the Franchise Agreement. If any default by Franchisee occurs under this Note, or any default by Franchisee occurs under the Franchise Agreement and such default is not cured under the terms thereof or if the Franchise Agreement is terminated for any reason, the entire principal balance and accrued but unpaid interest under this Note will immediately become due and payable at Franchisor's option. Upon any acceleration of the principal balance under this Note due to a default under the Note or the Franchise Agreement, interest will accrue on all unpaid amounts from the date of acceleration at a rate of 18% per annum or the maximum rate permitted by law, whichever is less, until the entire principal balance and all accrued but unpaid interest is paid.

To secure Franchisee's payment of the Note and Franchisee's performance of its obligations hereunder, Franchisee grants to Franchisor a security interest in and to Franchisee's inventory, chattel paper, equipment, general intangibles, furniture, fixtures, machinery and all other business assets; whether owned now or acquired later; and all additions, located at or arising from transactions related to the business, all policies of insurance covering such assets and all proceeds thereof.

This Note is guaranteed pursuant to a Guaranty and Assumption of Obligations (the "Guaranty") provided by Franchisee. This Note may not be amended or modified, and no waiver of any provision hereof will be effective, except by an instrument in writing signed by the party against whom enforcement of any amendment, modification, or waiver is sought. If Franchisee consists of two or more individuals, the liability of each individual will be joint and several.

This Note is governed by the laws of the State of Minnesota.

Franchisee has caused this Note to be made and executed as of the date first above written.

FRANCHISEE:

\_\_\_\_\_  
[Name of Franchisee Entity]

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

Printed: \_\_\_\_\_

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

**FDD**  
**EXHIBIT E**  
RECEIPTS

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

If NMC Franchising, L.L.C. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to NMC Franchising, L.L.C. in connection with the proposed franchise sale.

If NMC Franchising, L.L.C. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C., 20580 and the state administrator listed in Exhibit A.

The name, principal business address, and telephone number of the franchise seller offering the franchise is as follows:

NMC Franchising Representative's Name: Noe Valladares

Indicate Branch location below:

<ul style="list-style-type: none"> <li>○ NMC Franchising, L.L.C. 7405 SW Tech Center Drive, Suite 120 Tigard, OR 97223 Telephone: (503) 601-3131 Fax: (503) 601-3135</li> </ul>	<ul style="list-style-type: none"> <li>○ NMC Franchising, L.L.C. 5227 E. Trent Avenue Spokane, WA 99212 Telephone: (509) 324-1814 Fax: (509) 328-3794</li> </ul>
<ul style="list-style-type: none"> <li>○ NMC Franchising, L.L.C. 318 B N Neel St Kennewick, WA 99336 Telephone: (509) 396-6354 Fax: (509) 783-3278</li> </ul>	<ul style="list-style-type: none"> <li>○ NMC Franchising, L.L.C. 1801 130th Ave. N.E. Bellevue, WA 98005 Phone: (425) 881-0500 Fax: (425) 883-4785</li> </ul>

NMC Franchising, L.L.C. authorizes the state agency as noted on Exhibit A to receive service of process.

I received a Disclosure Document with an Issuance Date of August 4, 2017, that included the following Exhibits:

- A. State Agency
- B. Financial Statements
- C. List of Franchisees
- D. Franchise Agreement
- E. Receipts

Franchise Disclosure Document received:

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

Print Name(s): \_\_\_\_\_

Address(es): \_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_

Keep a copy for your records

|

## EXHIBIT B



# COMMERCIAL ARBITRATION RULES AND MEDIATION PROCEDURES

## Administrative Fee Schedules

*Amended and Effective May 1, 2018*

For all cases determined to be international by the AAA–ICDR, the International Fee Schedule shall apply. An international case is generally defined as having either the place of arbitration or performance of the agreement outside the United States, or having an arbitration agreement between parties from different countries. To view the International Fee Schedule, visit [info.adr.org/internationalfeeschedule](http://info.adr.org/internationalfeeschedule).

The AAA offers parties two options for the payment of administrative fees.

For both schedules, administrative fees are based on the amount of the claim or counterclaim and are to be paid by the party bringing the claim or counterclaim at the time the demand or claim is filed with the AAA. *Arbitrator compensation is not included in either schedule.* Unless the parties' agreement provides otherwise, arbitrator compensation and administrative fees are subject to allocation by an arbitrator in an award.

**Standard Fee Schedule:** A two-payment schedule that provides for somewhat higher initial filing fees but lower overall administrative fees for cases that proceed to a hearing.

**Flexible Fee Schedule:** A three-payment schedule that provides for lower initial filing fee and then spreads subsequent payments out over the course of the arbitration. Total administrative fees will be somewhat higher for cases that proceed to a hearing.

### Standard Fee Schedule

Amount of Claim	Initial Filing Fee	Final Fee
Less than \$75,000	\$925	\$800
\$75,000 to less than \$150,000	\$1,925	\$1,375
\$150,000 to less than \$300,000	\$2,900	\$2,200
\$300,000 to less than \$500,000	\$4,400	\$3,850
\$500,000 to less than \$1,000,000	\$5,500	\$6,825
\$1,000,000 to less than \$10,000,000	\$7,700	\$8,475
\$10,000,000 and above	\$11,000 plus .01% of the claim amount above \$10,000,000 up to \$65,000	\$13,750
Undetermined Monetary Claims	\$7,700	\$8,475
Nonmonetary Claims*	\$3,500	\$2,750
Deficient Filing Fee	\$500	
Additional Party Fees	If there are more than two separately represented parties in the arbitration, an additional 10% of each fee contained in these fee schedules will be charged for each additional separately represented party. However, Additional Party Fees will not exceed 50% of the base fees contained in these fee schedules unless there are more than 10 separately represented parties. See below for additional details.	

### Flexible Fee Schedule

Amount of Claim	Initial Filing Fee	Proceed Fee	Final Fee
Less than \$75,000	Only available for claims \$150,000 and above		
\$75,000 to less than \$150,000			
\$150,000 to less than \$300,000	\$1,825	\$1,875	\$2,200
\$300,000 to less than \$500,000	\$2,200	\$3,300	\$3,850
\$500,000 to less than \$1,000,000	\$2,750	\$4,725	\$6,825
\$1,000,000 to less than \$10,000,000	\$3,850	\$6,275	\$8,475
\$10,000,000 and above	\$5,500	\$10,000 plus .01% of the claim amount above \$10,000,000 up to \$65,000	\$13,750
Undetermined Monetary Claims	\$3,850	\$6,275	\$8,475
Nonmonetary Claims*	\$2,200	\$2,475	\$2,750
Deficient Filing Fee	\$500		
Additional Party Fees	If there are more than two separately represented parties in the arbitration, an additional 10% of each fee contained in these fee schedules will be charged for each additional separately represented party. However, Additional Party Fees will not exceed 50% of the base fees contained in these fee schedules unless there are more than 10 separately represented parties. See below for additional details.		





### Standard Fee Schedule (Cont.)

- The **Initial Filing Fee** is payable in full by a filing party when a claim, counterclaim, or additional claim is filed.
- The **Final Fee** will be incurred for all cases that proceed to their first hearing and is payable in advance at the time the first hearing is scheduled.
- **Fee Modifications:** Fees are subject to increase if the claim or counterclaim is increased after the initial filing date. Fees are subject to decrease if the claim or counterclaim decreases prior to the first hearing.
- **Cases with Three or More Arbitrators** are subject to a minimum Initial Filing Fee of \$4,400 and a Final Fee of \$3,850.
- **Nonmonetary Claims:** The non-monetary filing fee is the minimum filing fee for any case requesting non-monetary relief. Where a party seeks both monetary damages and non-monetary relief, the higher of the two filing fees will apply.

#### Refunds—Standard Fee Schedule:

**Initial Filing Fees:** Subject to a \$500 minimum non-refundable Initial Filing Fee for all cases, refunds of Initial Filing Fees for settled or withdrawn cases will be calculated from the date the AAA receives the demand for arbitration as follows:

- within 5 calendar days of filing—100%.
- between 6 and 30 calendar days of filing—50%
- between 31 and 60 calendar days of filing—25%

However, *no refunds will be made once:*

- any arbitrator has been appointed (including one arbitrator on a three-arbitrator panel).

**Final Fees:** If a case is settled or withdrawn prior to the first hearing taking place, all Final Fees paid will be refunded. However, if the AAA is not notified of a cancellation at least 24 hours before a scheduled hearing date, the Final Fee will remain due and will not be refunded.

### Flexible Fee Schedule (Cont.)

- The **Initial Filing Fee** is payable in full by a filing party when a claim, counterclaim, or additional claim is filed.
- The **Proceed Fee** must be paid within 90 days of the filing of the demand for arbitration or a counterclaim before the AAA will proceed with the further administration of the arbitration, including the arbitrator appointment process.
  - If a Proceed Fee is not submitted within 90 days of the filing of the Claimant's Demand for Arbitration, the AAA will administratively close the file and notify all parties.
  - If the Flexible Fee Schedule is being used for the filing of a counterclaim, the counterclaim will not be presented to the arbitrator until the Proceed Fee is paid.
- The **Final Fee** will be incurred for all cases that proceed to their first hearing and is payable in advance at the time the first hearing is scheduled.
- **Fee Modifications:** Fees are subject to increase if the claim or counterclaim is increased after the initial filing date. Fees are subject to decrease if the claim or counterclaim decreases prior to the first hearing.
- **Cases with Three or More Arbitrators** are subject to a minimum Initial Filing Fee of \$2,200, a \$3,300 Proceed Fee and a Final Fee of \$3,850.
- **Nonmonetary Claims:** The non-monetary filing fee is the minimum filing fee for any case requesting non-monetary relief. Where a party seeks both monetary damages and non-monetary relief, the higher of the two filing fees will apply.

#### Refunds—Flexible Fee Schedule:

Under the Flexible Fee Schedule, **Filing Fees** and **Proceed Fees** are **non-refundable** once incurred.

**Final Fees:** If a case is settled or withdrawn prior to the first hearing taking place, all Final Fees paid will be refunded. However, if the AAA is not notified of a cancellation at least 24 hours before a scheduled hearing date, the Final Fee will remain due and will not be refunded.



## Additional Fees Applicable to the Standard Fee and Flexible Fee Schedules

**Additional Party Fees:** Additional Party Fees will be charged as described above, and in addition:

- Additional Party Fees are payable by the party, whether a claimant or respondent, that names the additional parties to the arbitration.
- Such fees shall not exceed 50% of the base fees in the fee schedule, except that the AAA reserves the right to assess additional fees where there are more than 10 separately represented parties.
- An example of the Additional Party Fee is as follows: A single claimant represented by one attorney brings an arbitration against two separate respondents, however, both respondents are represented by the same attorney. No Additional Party Fees are due. However, if the respondents are represented by different attorneys, or if one of the respondents is self-represented and the other is represented by an attorney, an additional 10% of the Initial Filing fee is charged to the claimant. If the case moves to the Proceed Fee stage or the Final Fee stage, an additional 10% of those fees will also be charged to the claimant.

**Incomplete or Deficient Filings:** Where the applicable arbitration agreement does not reference the AAA, the AAA will attempt to obtain the agreement of all parties to have the arbitration administered by the AAA.

- Where the AAA is unable to obtain the parties' agreement to have the AAA administer the arbitration, the AAA will not proceed further and will administratively close the case. The AAA will also return the filing fees to the filing party, less the amount specified in the fee schedule above for deficient filings.
- Parties that file Demands for Arbitration that are incomplete or otherwise do not meet the filing requirements contained in the rules shall also be charged the amount specified above for deficient filings if they fail or are unable to respond to the AAA's request to correct the deficiency.

**Arbitrations in Abeyance:** Cases held in abeyance by mutual agreement for one year will be assessed an annual abeyance fee of \$500, to be split equally among the parties. If a party refuses to pay the assessed fee, the other party or parties may pay the entire fee on behalf of all parties, otherwise the arbitration will be administratively closed. All filing requirements, including the payment of filing fees, must be met before a matter will be placed in abeyance.

**Fees for Additional Services:** The AAA reserves the right to assess additional administrative fees for services performed by the AAA that go beyond those provided for in the AAA's rules, but which are required as a result of the parties' agreement or stipulation.

**Hearing Room Rentals:** The fees described above do not cover the cost of hearing rooms, which are available on a rental basis. Check with the AAA for availability and rates.

## Mediation—Administrative Fee Schedules

A \$250 non-refundable deposit, which will be applied toward the mediation fee, is required to initiate the AAA's administration of the mediation and appointment of the mediator.

The mediator's fee is stated on his or her resume. The AAA administrative fee, split by the parties, is \$75 per hour billed by the mediator with a minimum four hour charge for any mediation held. Expenses referenced in Section M-17 of the Mediation Procedures may also apply.

If a matter submitted for mediation is withdrawn or cancelled or results in a settlement after the request to initiate mediation is filed but prior to the mediation conference, the AAA administrative fee is \$250 (to which the deposit will be applied) plus any mediator time and expenses incurred. These costs shall be borne by the initiating party unless the parties agree otherwise.

**If you have questions about mediation costs or services, visit [www.adr.org](http://www.adr.org) or contact your local AAA office.**