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FRANCHISE AGREEMENT

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DATED: December 31, 2018

between

THE FILTA GROUP INC.,
a Delaware corporation

and

JOHN MICHALS

TABLE OF CONTENTS

	Page
1 DEFINITIONS.....	2
2 FRANCHISE RIGHTS AND TERM	6
3 CONDITIONS OF RENEWAL	8
4 FEES.....	9
5 PRE-OPENING OBLIGATIONS.....	11
6 TRAINING.....	12
7 FILTA'S SALES SUPPORT OBLIGATIONS.....	12
8 FRANCHISEE'S OPERATING OBLIGATIONS	13
9 NATIONAL ACCOUNT CONTRACTS AND CENTRALIZED ACCOUNTS.....	21
10 TELEPHONE NUMBERS	23
11 REPORTS AND RECORDS.....	23
12 INSURANCE	24
13 STAFFING	25
14 ADVERTISING/PROMOTIONS	26
15 TRADEMARKS	27
16 IMPROVEMENTS AND NEW SERVICES.....	27
17 CONFIDENTIAL INFORMATION.....	28
18 FILTA'S RIGHT TO COMMUNICATE WITH CUSTOMERS	28
19 ASSIGNMENT BY FILTA	28
20 TRANSFER	29
21 TERMINATION.....	32
22 OBLIGATIONS UPON EXPIRATION OR TERMINATION.....	34
23 RESTRICTIONS ON COMPETITION.....	35

24	INDEMNITY	36
25	ACKNOWLEDGMENTS	37
26	RESERVATION OF RIGHTS.....	37
27	NO AGENCY	37
28	NO IMPLIED WAIVERS	38
29	SURVIVAL.....	38
30	DISPUTES	38
31	MODIFICATION OF AGREEMENT	39
32	ENTIRE AGREEMENT	39
33	NOTICE.....	39
34	EXPENSES	39

ATTACHMENTS:

Schedule

Personal Guarantee

Exhibit 1 - Conditional Assignment of Telephone Numbers

Exhibit 2 - Termination Fee

Exhibit 3 – FiltaBio Addendum

Exhibit 4 – FiltaBio 6K Addendum

Exhibit 5 – FiltaGold Addendum

Exhibit 6 – FiltaDrain Addendum

Exhibit 7 - Addendum

FILTA FRANCHISE AGREEMENT

PARTIES:

- (1) **THE FILTA GROUP INC.**, a Delaware corporation whose principal place of business is at 7075 Kingspointe Parkway, Suite 1, Orlando, Florida 32819 ("we" or "Filta"); and
- (2) **JOHN MICHALS** an individual, whose address is 297 Euclid Ave, Manasquan, NJ 08736 ("You" or "Franchisee").

RECITALS:

A. Filta is in the business of franchising others to operate Filta Environmental Kitchen Solutions® businesses, which provide certain services to restaurants, catering establishments, and institutional kitchens. The services currently include:

Service	Description
" FiltaFry Service "	On-site microfiltration of cooking oil using a proprietary filtration machine, fryer cleaning, temperature calibration, advice on good frying practices, and on-site dumping of used oil
" FiltaBio Service "	Collection of waste cooking oil from customers' premises and sale to Filta, to be resold mainly to biofuel producers
" FiltaCool Service "	Placement of special filters in walk-in coolers, freezers and other refrigeration units to provide all-natural temperature, humidity, and odor control
" FiltaGold Service "	Delivery of new cooking oil to customers, either in boxes or using Filta's proprietary onsite equipment.
" FiltaDrain Service "	Application of live bacterial solution to drainage pipes to clear blockages and remove odors

B. We have developed and own a distinctive set of specifications and operating procedures (collectively, the "**System**") for Filta Environmental Kitchen Solutions® businesses. The distinguishing characteristics of the System include, but are not limited to, the proprietary FiltaFry Mobile Filtration Unit ("**MFU**") and filters for microfiltration of cooking oils; the proprietary FiltaCool filters for walk-in cooler and refrigeration units; the FiltaGold proprietary on-site equipment; specially equipped vans to transport Filta equipment and products to customer sites; specifications for additional equipment and accessories; and the accumulated experience reflected in Filta's training program, operating procedures, customer service standards, and marketing techniques; all of which Filta may change, improve and further develop from time to time.

C. Filta identifies the businesses operating under the System by means of the FILTA ENVIRONMENTAL KITCHEN SOLUTIONS® logo shown on the cover page to this Agreement, and such other trademarks, service marks, trade names, signs, logos and other indicia of origin as Filta may designate from time to time for use with the System (collectively, the "Proprietary Marks").

D. You understand the importance of Filta's high standards of quality, cleanliness, appearance and service; of opening and operating Filta businesses in accordance with the Franchise Agreement and Filta's standards, specifications and procedures; and of monitoring Your performance in the Territory.

IT IS AGREED as follows:

1 DEFINITIONS

In this Agreement, unless the context otherwise requires:

"Advertising/Promotions Levy"	means \$-0- for each of the first 3 Months following the Opening Date; and (ii) \$135 per month, starting in the 4 th Month after the Opening Date. Filta has the right to adjust the Advertising/Promotions Levy once per calendar year, on or before December 31, by the amount of the Annual Adjustment.
"Annual Adjustment"	means an increase in the amount of a fee equal to the greater of: (i) the increase in the U.S. Consumer Price Index - All Urban Consumers for the calendar year; or (ii) 2.5% of the then-current monthly amount of that fee .
"Business Volume"	means the aggregate value per week, measured at any particular point in time, of the customer accounts You service (including, if applicable, National Account Contracts under Article 9). For purposes of this clause, each customer account will be valued on the assumption that the customer will continue service at the same level (frequency and scope of work) as most recently ordered.
"Centralized Account"	means a customer that does not have a National Account Contract but (i) owns, operates, controls, or represents multiple locations at which Environmental Kitchen Solutions Services may be performed, and (ii) requests centralized billing of such services through Filta.
"Company"	means a corporation or limited liability company that You form to own the Franchise.

"Confidential Information"	means any information not known to the public concerning You, Filta or the System (whether written, oral, visual, electronic, or in any other form or media), including but not limited to information concerning: (a) Filta's products and services, customers, suppliers, accounts, finances, or other dealings, transactions or affairs; (b) Filta's relationships with its franchisees and former franchisees and their respective principals, owners, and prospective investors; (c) Filta's relationships with its shareholders and employees and former shareholders and employees; (d) technical information, drawings, engineering data, equipment and performance specifications, quality control information, equipment cost and price information; (e) marketing plans, advertising plans, business plans, territorial development strategies, and training curricula; (f) other information of a similar nature which You obtain as a result of Your association with Filta; and (g) any and all works of authorship and material that You prepare based on Confidential Information, whether prepared individually, collectively or jointly with Filta or a third party.
"Environmental Kitchen Solutions Services"	means, collectively, the FiltaFry Service, the FiltaBio Service, the FiltaCool Service, the FiltaGold Service, and the FiltaDrain Service, as those services may be modified or supplemented by Filta under clause 16.2 of this Agreement, and all products sold to customers in conjunction with the services.
"Equipment"	means those items contained in the Equipment Package and any other similar items purchased or leased by You for the Franchise.
"Equipment Package"	means, collectively, the items of equipment set out in the Schedule.
"FDD"	means the Franchise Disclosure Document then used by Filta to offer franchises in the U.S.A. (or the Franchise Disclosure Document most recently used, if Filta is not then offering new franchises in the U.S.A.).
"Fee Payment Date"	means the 28th of each Month (or the next business day, if the 28th falls on a weekend or federal holiday).

"FiltaCool Service Fee"	means \$-0- for each of the first 3 Months following the Opening Date; and (ii) \$3 per FiltaCool filter per month, starting in the 4 th Month after the Opening Date. Filta has the right to adjust the FiltaCool Service Fee at any time on 90 days' notice.
"FiltaDrain Service Fee"	means the fee we charge on Your sale of FiltaDrain services to customers, which is \$-0- as of the date of this Agreement. Filta has the right to institute a FiltaDrain Service Fee at any time on 30 days' notice.
"FiltaGold Service Fee"	means the fee we charge on Your sale of new cooking oil to customers, which is \$-0- as of the date of this Agreement. Filta has the right to institute a FiltaGold Service Fee at any time on 30 days' notice.
"Filter Payment Date"	means the 7th of each month (or the next business day, if the 7th falls on a weekend or federal holiday).
"Franchise"	means the Filta Environmental Kitchen Solutions business that You operate in accordance with the provisions of this Agreement, including its attachments.
"Franchise Portal"	means one or more password-protected sites designated by Filta for use by franchisees and having such features and terms of use as Filta may determine from time to time.
"Gross Monthly Revenue"	means the gross revenue arising directly or indirectly from the conduct of the Franchise during each Month that this Agreement is in force (and for any period less than a complete Month). Gross revenue includes the value of all services performed and of all goods sold and delivered by You during each Month, and the assumed gross revenue of the Franchise in each Month calculated for the purposes of any loss of profits or business interruption insurance claim.
"Information Systems"	means, collectively, the Franchise Portal, QuickBooks (as defined below), and a broadband internet connection for the transmission of invoices, monthly reporting, and other information sharing required under this Agreement.
"Information System User Fee"	means Filta's then-current fee for access to the Franchise Portal.

"Manual"	means the operations manual containing Filta's mandatory and recommended specifications and procedures for operation of a Filta business, as amended by Filta from time to time.
"MFU"	means the proprietary mobile filtration machine used in the FiltaFry Service.
"MFU Filters"	means the filters specifically designed and manufactured for use in the MFU.
"Month"	means a calendar month.
"National Account Contract"	means an arrangement between Filta and a customer for delivery of one or more Environmental Kitchen Solutions Services at multiple locations of the customer or its brand. Filta has sole discretion as to whether to pursue a National Account Contract with a particular customer, the manner of negotiation of the National Account Contract, and the terms and conditions of the National Account Contract.
"Opening Date"	means the date scheduled by Filta for the arrival of the business development manager(s) in the Territory to begin the Sales Support Period pursuant to clause 7.1.
"Opening Package"	means the Equipment Package, uniforms, marketing materials, vehicle preparation, Stock and Stationery listed in the Schedule.
"Owners"	means all of Your shareholders, partners, or members, if You are a corporation, partnership, or limited liability company. This includes all persons whom Filta may subsequently approve to acquire an interest in You.
"Premises"	means Your business office at the location specified in the Schedule or another location approved by Filta pursuant to clause 2.1.
"Quickbooks"	means the version of Intuit's "Quickbooks" small business financial software program designated by Filta from time to time.

"Schedule"	means the Schedule attached to this Agreement. The Schedule is an integral part of this Agreement and references to "this Agreement" include the Schedule.
"Service Fee"	means (i) \$-0- for the first 3 Months following the Opening Date; and (ii) \$595 per Month times the number of MFUs that You have in operation, the number of Vans that You have in operation, or the number of Territories in which You operate, whichever is the greatest number of the three, beginning the 4th Month after the Opening Date. Filta has the right to adjust the Service Fee once per calendar year, on or before December 31, by the amount of the Annual Adjustment.
"Stationery"	means business cards, stationery and other materials in which You identify the Franchise and that bear any of the Proprietary Marks.
"Stock"	means the initial supply of MFU Filters, FiltaCool filters, and other items set out in the Schedule.
"Supply Payment Date"	means the 7th of each Month (or the next business day, if the 7th falls on a weekend or federal holiday).
"Territory"	means the geographic area specified in the Schedule.
"Van"	means a vehicle meeting Filta's specifications that You use to transport the MFU and other Equipment and products to provide Environmental Kitchen Solutions Services at customer locations.

2 FRANCHISE RIGHTS AND TERM

2.1 Filta grants You the right, and You undertake the obligation:

- 2.1.1 to operate the Franchise within the Territory only;
- 2.1.2 to use the Proprietary Marks and System solely in connection with the operation of the Franchise; and
- 2.1.3 to provide Environmental Kitchen Solutions Services solely from the Vans and the Premises or such other premises as may be approved in writing by Filta.

- 2.2 While this Agreement is in effect, and except as otherwise provided in this Agreement or an addendum, Filta will not operate or license any person other than You to operate a business offering Environmental Kitchen Solutions Services under the Proprietary Marks or any other names or marks from premises or a Van within the Territory. Except as specifically provided in the previous sentence, Filta and its affiliates may engage in any business activities, under any name, in any geographic area and at any location, including within the Territory via the Internet, mobile networks, or any other electronic means.
- 2.3 **You are prohibited from conducting any business of the Franchise outside of your defined Territory by any means without Filta's express written consent as provided in clause 2.4.** If You engage in any unauthorized activities (including but not limited to providing services to customers, advertising for business, making sales calls, or performing demonstrations) outside of the Territory: (i) You agree to pay over to the franchisee in whose territory the activity occurs (or to Filta, if the territory is not franchised) any and all gross revenue derived from the unauthorized activity; and (ii) Filta will have the right to terminate this Agreement by written notice, effective immediately. If Filta grants a franchise for a territory in which You have engaged in unauthorized activities, and if Filta makes concessions to the franchisee because of Your unauthorized activities, You agree to pay Filta such amount as will make Filta whole for the concessions granted. The remedies specified in this clause are in addition to any other remedies that Filta and other franchisees may have as a result of your breach.
- 2.4 Notwithstanding clause 2.3, You may provide services to a customer in territory adjacent to Your defined Territory ("**Adjacent Territory**") if, and only if, all of the following conditions are met: (1) You have been servicing the customer in the Territory for at least 8 weeks; (2) You are expressly requested by the customer or its affiliate to service one or more facilities of the same brand in the Adjacent Territory; (3) the Adjacent Territory has not been franchised to any other party by Filta; and (4) You provide Filta with a copy of the customer's request and obtain Filta's express written approval before providing service. If Filta authorizes You to service one or more customer locations outside of your defined Territory, and Filta subsequently grants a franchise for a territory that covers the authorized customer location(s), Filta will give You notice and You will have eight (8) weeks from the date of the notice to transfer the servicing of the customer location(s) to the new franchisee. You acknowledge that You will not be entitled to any compensation if this happens and You agree to assist the incoming franchisee with the transition in a professional manner.
- 2.5 You are prohibited from subcontracting any of the Environmental Kitchen Solutions Services to others or permitting the Proprietary Marks, System or MFU to be used by anyone other than You. You have no right or power: (a) to sublicense or grant to anyone else any rights to use the Proprietary Marks or the System; (b) to subdivide or partition the Territory; or (c) to permit other Filta franchises to provide Environmental Kitchen Solutions Services in the Territory.
- 2.6 The term of this Agreement expires 10 years from the date shown on the cover page.

3 CONDITIONS OF RENEWAL

Subject to satisfaction of the conditions below, at the end of the initial 10-year term in clause 2.6, You will have the option to renew the franchise relationship. The first renewal term will be for 10 years. If You satisfy the conditions below and choose to renew again at the end of the first renewal term, You will have one final term of 10 years. Filta may require satisfaction of any or all of the following conditions at each renewal:

- 3.1 You must notify Filta in writing, not more than 6 Months nor less than 3 Months before the end of the expiring term, that You wish to renew.
- 3.2 You must have no material breaches of this Agreement outstanding at the date You give the notice referred to in clause 3.1 or in the period between that date and the expiration of the term.
- 3.3 You must have performed Your obligations during the expiring term to the reasonable satisfaction of Filta.
- 3.4 At the date You give the notice referred to in clause 3.1, You must be offering to the public all of the products and services then constituting the Environmental Kitchen Solutions Services and You must have at least 3 Vans in operation.
- 3.5 Your gross revenue per Van during the final year of the expiring term must be no more than 15% below the per-Van average for all Filta Vans in the U.S.A. for the same time period (excluding Vans that were not in operation for the entire year). If You fail to satisfy this condition, Filta may either (i) refuse to renew the franchise relationship; or (ii) renew the franchise relationship only if You agree to reduce the size of, or redefine the boundaries of, the Territory.
- 3.6 Before the end of the expiring term, You must sign a renewal Franchise Agreement in the form then disclosed in the FDD as the Franchise Agreement offered to new franchisees in the U.S.A. (or the form most recently offered, if Filta is not then granting new franchises in the U.S.A.). The renewal Franchise Agreement will take effect the day after the expiring term ends. The provisions of the renewal franchise agreement may differ from and will supersede the terms of this Agreement. However: (1) You will not have to pay another Territory Fee; (2) Filta will not have to perform any pre-opening obligations specified in the new franchise agreement or provide another Sales Support Period; and (3) notwithstanding anything to the contrary in the renewal franchise agreement, Your second 10-year renewal option will continue to be governed by Article 3 of this Agreement. If You exercise Your final 10-year renewal option and satisfy the renewal conditions, including the signing of Filta's then-current form of franchise agreement, You will have such further opportunity to renew as that franchise agreement may specify.
- 3.7 You must refurbish and upgrade the Equipment and each Van at your own expense, to the extent that Filta reasonably deems to be necessary, within the time prescribed by Filta. If You fail to carry out the refurbishment and upgrading referred to in this clause, Filta will have no obligation to grant a renewal.

- 3.8 You and any person specified by Filta must complete such re-training or refresher training as Filta may require, at your own expense.
- 3.9 You and all Owners must sign a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees.
- 3.10 If You are renewing for the final 10-year term, You must pay Filta a renewal fee equal to 5% of Your average annual gross revenue for the final two years of the expiring term, but not to exceed \$75,000.

4 FEES

- 4.1 You must pay Filta the following amounts:

Territory Fee	\$39,950
Opening Package	<u>\$49,950</u>
Total	\$89,900

If You paid Filta a deposit before signing this Agreement, Filta will apply the deposit to the Territory Fee when You sign this Agreement. The balance due for the Territory Fee and the Opening Package must be paid to Filta 6 weeks before the Opening Date or 90 days from when You sign this Agreement, whichever is earlier. The Territory Fee and Opening Package price are non-refundable even if You fail to open the Franchise for business.

If You sign this Agreement in connection with the purchase of an existing operating franchise (i.e., a resale), You must pay Filta a Transition/Training Fee of \$9,950 before You start business.

- 4.2 Starting in the 4th Month following the Opening Date, You must pay the Service Fee and Advertising/Promotions Levy to Filta on the Fee Payment Date without any abatement, set off or deduction.
- 4.3 Starting in the 61st Month following the Opening Date, You must pay Filta a supplemental Service Fee (the "**Supplemental Service Fee**") equal to 50% of the then-current Service Fee if You have in operation fewer than 1 MFU per Territory that You own under this Agreement and any other Franchise Agreement(s) you have with Filta, taken together. Starting in the 67th Month after the Opening Date, if You still have fewer than 1 MFU in operation per Territory that You own under this Agreement and any other Franchise Agreement(s) you have with Filta, taken together, then the Supplemental Service Fee will increase to 100% of the then-current Service Fee. If and when You have at least 1 MFU in operation per Territory that You own under this Agreement and any other Franchise Agreement(s) you have with Filta, taken together, the Supplemental Service Fee will terminate but may be reinstated if You again fall below 1 MFU in operation per Territory.

- 4.4 When you pay the Service Fee each month, You must also pay Filta a conference fee in the amount specified in the Manual (the "**Conference Fee**"). As of the date of this Agreement, the Conference Fee is \$45 per Month per Franchise, regardless of the number of Territories covered by the Franchise Agreement. Filta can increase the Conference Fee on reasonable notice and/or change the per-franchise methodology. If You attend Filta's conference for franchise owners, Filta will refund the Conference Fees collected from You since the prior conference. If You do not attend the conference, Filta will use the Conference Fees collected from you to defray general expenses of the conference. In order to obtain uniformity with respect to Conference Fees, You agree that all of Your existing franchise agreements with Filta, if any, are hereby amended to include the provisions of this clause 4.4 (if the existing franchise agreements do not already include this provision) and, in the event of a conflict between an existing agreement and this Agreement with respect to the Conference Fee, clause 4.4 of this Agreement will control. Filta reserves the right to determine the scheduling of each conference, but expects to hold a conference no more often than annually.
- 4.5 For all amounts You owe Filta, You must use the payment method that we designate. Because we currently require electronic funds transfer, You must designate an account at a commercial bank (the "**Account**") and furnish the bank with all authorizations necessary to permit us to transfer funds from the Account. On each Fee Payment Date, Filta will transfer from the Account an amount equal to the aggregate Service Fees, Advertising/Promotions Levy, and Information System User Fees then due from You, as determined by Filta from Your online reporting through Quickbooks. On each Supply Payment Date, Filta will transfer from the Account an amount equal to Your aggregate purchases and other amounts then due from You. We will furnish You with a confirmation of each transfer. You agree to maintain sufficient funds in the Account to cover all amounts payable to us. If funds in the Account are insufficient to cover the amounts payable at the time we initiate the funds transfer, the amount of the shortfall will be deemed overdue, and You agree to pay us, on demand, the overdue amount plus daily interest as provided in clause 4.6, plus any bank fees we may incur as a result of lack of funds in Your Account. Filta may also suspend shipment of filters until such time as the past due amount is paid. These remedies are in addition to any other remedies we may have under this Agreement or applicable law. Our right to effect payment by electronic funds transfer does not impair or diminish Your obligation to make payment when due.
- 4.6 If any payment due to Filta is not received in full by the due date, You agree to pay us daily interest on the amount owed, calculated from the due date until paid at the rate of 18% per annum (or the maximum rate permitted by law, if less than 18% per annum).
- 4.7 You agree to pay all applicable taxes and other fees due to any local, state, or federal government arising from the operation of the Franchise. In addition, You must pay to Filta an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Filta with respect to any payments we receive under this Agreement. You agree to hold us harmless from all claims and demands with respect to taxes that You owe arising from the operation of the Franchise.

5 PRE-OPENING OBLIGATIONS

- 5.1 Filta will provide the following assistance and materials to You before You begin offering Environmental Kitchen Solutions Services to customers:
- 5.1.1 the Manual - upon successful completion of the training specified in clause 5.1.3 below, access to the Manual via the Franchise Portal, for use solely by You and your staff;
 - 5.1.2 the Opening Package, including preparation of a Van as provided in the Schedule;
 - 5.1.3 Training - A combination of training at a site designated by Filta, field training, and training in your Territory, all as specified in the Manual.
- 5.2 At Your own expense, You must obtain a Van meeting Filta's specifications before the Opening Date, and You must deliver the Van to a location designated by Filta for Van preparation work under clause 5.1.2. The Van must not be more than two model years old and have no more than 30,000 miles on the odometer at the time You acquire it. If You acquire a used vehicle, You must ensure that a bulkhead and shelving are fitted to Filta's specifications. If You request and Filta approves the use of a vehicle other than the make(s) and model(s) specified by Filta, You acknowledge that Filta may charge You at Filta's cost for any and all non-standard Van preparation work, which will be in addition to the cost of the Opening Package.
- 5.3 If You initially enter into this Agreement with Filta as an individual or partnership, You must establish a Company and transfer Your Agreement to the Company before the Opening Date in accordance with clause 20.4 below. You must satisfy the following requirements at the time You organize the Company and throughout the remaining term of this Agreement:
- 5.3.1 You must provide Filta with proof from the State that the Company is in existence and in good standing.
 - 5.3.2 You must designate, subject to Filta's approval, one of the Owners (the "**Operator**") to be personally responsible for performance of all obligations and requirements relating to the Franchise. The Operator must have the power to speak for the Franchise and to bind the Company in any dealings with Filta.
 - 5.3.3 The Operator and all other Owners must sign a Personal Guarantee of the Company's obligations in the form prescribed by Filta. The current form of Personal Guarantee is attached to this Agreement.
 - 5.3.4 The legal name of the Company must have no connection whatsoever to Filta's brand identity names for the various Environmental Kitchen Solutions Services. In particular, but not by way of limitation, the legal name of the Company must not contain the word "Filta", "FiltaFry", "cooking", "oil", "filter", "micro-filter", "Environmental", "Kitchen", "Solutions", "FiltaBio", "FiltaCool", "eco", "green," "management", or any similar words or phrases.

6 TRAINING

- 6.1 Filta or its designee will train You as specified in clause 5.1.3. Filta will provide lodging, breakfast and lunch for initial training, and You will be responsible for Your travel expenses to and from the training site and all other expenses. You must bear all expenses associated with Your field training and training in Your Territory. Filta has the right to require that any employee You hire who will have access to the MFU also attend training. You must notify Filta each time You hire an employee who will have access to the MFU.
- 6.2 Filta will make available such on-site advice and further field training as You may reasonably request. Filta may also require You and/or Your employees to attend further training courses at any time during the term of this Agreement, if Filta reasonably considers that such further training is necessary.
- 6.3 All training under clause 6.2 will be provided at Filta's standard rate, and You will be responsible for all traveling and living expenses and salaries of those attending. The time and place of training will be at the absolute discretion of Filta or its designee, but Filta will try to accommodate Your reasonable requirements.
- 6.4 Filta will provide You with ongoing advice and guidance by telephone, email, and other forms of communication from Filta's office, as You may from time to time reasonably request, subject to Your provision of such information as Filta may require so as to enable Filta to monitor the performance of the Franchise.

7 FILTA'S SALES SUPPORT OBLIGATIONS

- 7.1 Filta will provide the services of one or more business development managers, an existing experienced Filta franchisee or third-party business coach, to be determined in the sole discretion of Filta, for a period of not less than ten (10) working days which includes Saturday (the "**Sales Support Period**," as it may be extended below), to assist in arranging customer accounts to be serviced by the Franchise. At the end of the Sales Support Period, You and the business development manager, existing experienced Filta franchisee or third-party business coach will jointly certify to Filta the Business Volume achieved as of the end of the Sales Support Period. You and the business development manager, existing experienced Filta franchisee or third-party business coach will also jointly list any demonstrations that have been scheduled but not completed for potential customers by the end of the Sales Support Period ("**Pending Demos**"). Filta may, in its sole discretion, extend the Sales Support Period for as long as Filta elects to continue providing the services of its business development manager(s) in the Territory.
- 7.2 After the Sales Support Period ends, Filta will assign an employee, existing franchisee or third-party business coach to guide You in marketing the services of the Franchise. This relationship will continue until Business Volume reaches \$1,000 per week. You agree that the employee, existing franchisee or third-party business coach may share any and all information about the Franchise with Filta. If Business Volume has not reached \$1,000 per week by the end of three Months of operation, You agree to hold a business evaluation conference call with Filta and to establish a business development plan, which may, at Filta's

sole option, include on-site advice from a member of Filta's staff or an experienced operator or third-party business coach appointed by Filta.

- 7.3 Until the earlier of 90 days after the Opening Date or when Business Volume first exceeds \$1,000 per week, You must participate in all remote training sessions scheduled by Filta.

8 FRANCHISEE'S OPERATING OBLIGATIONS

8.1 FiltaFry Service

8.1.1 Mobile Filtration Unit

You acknowledge that a principal purpose of the relationship created by this Agreement is to authorize You to provide services using the MFU. You may not use the MFU for any purpose other than the FiltaFry Service under this Agreement. You are responsible for maintaining and repairing the MFU at Your own expense. Any improvements or upgrades to the MFU that You propose and that are subsequently adopted by Filta will become the property of Filta and/or the manufacturer of the MFU. To the extent necessary to give legal effect to such ownership, You agree to assign to Filta all of your right, title and interest, if any, in such improvements and upgrades, and You agree to execute all assignments, instruments, affidavits, and other documents that Filta may reasonably request to give effect to this provision. You agree not to alter, engineer, reverse engineer, add to, remove any component of, or disable any safety feature of the MFU or any other Equipment supplied by Filta.

Filta warrants the MFU for a period of twelve months against electrical or mechanical failure resulting from defective materials, provided that the breakdown is not due to misuse or operation of the MFU under conditions other than as stated in the Manual, and that the MFU has been maintained pursuant to the maintenance program stated in the Manual. The warranty period begins on the date You take possession of the MFU.

8.1.2 MFU Spare Parts and Filters

You acknowledge that use of spare parts and MFU Filters supplied by Filta is a legitimate means to protect Filta's interest in the proprietary nature of the MFU. Accordingly, You must purchase from Filta, and Filta agrees to supply, all of Your requirements of spare parts and MFU Filters. An initial supply of spare parts and MFU Filters is included in the Opening Package. Subject to the right to suspend shipment in clause 4.5, Filta will make additional spare parts and MFU Filters available for purchase at Filta's then-current prices and terms. In order to promote customer satisfaction and to minimize downtime of the MFU, You must have a full complement of spare parts for the MFU on hand at all times. Whenever You use any spare parts, You must immediately order replacement parts as necessary to ensure that You have a complete set. In order to promote customer satisfaction and to comply with Filta's specifications for periodic changing of MFU Filters, You must purchase from Filta a minimum of one (1) box of MFU Filters per Month per MFU that You have in

operation. However, if You place an order to purchase an additional MFU, You may request in writing at the time of Your order that Filta waive the filter purchase requirement for the additional MFU for an initial period of three months.

You acknowledge that the life expectancy of a MFU Filter cartridge will vary depending on numerous factors, including but not limited to the type of oil filtered, the quality and temperature of the oil when filtered, the type of food that has been fried in the oil, the volume of food fried, the seasonings, flour content and food additives present in the oil, and the customer's general frying practices. Filta does not guarantee that MFU Filters will perform for any specific period of time or in all conditions. If You do not use the MFU Filters in accordance with Filta's specifications, the life expectancy will be shorter.

8.2 **FiltaBio Service**

- 8.2.1 Concurrently with execution of this Agreement, You agree to execute the FiltaBio Addendum attached to this Agreement as Exhibit 3. The purposes of the FiltaBio Addendum are to facilitate development of the FiltaBio Service, to give You assurance of a sales outlet for the waste vegetable oil ("WVO"), and to provide for the aggregation of WVO from You and other Filta franchisees in order to (a) leverage pricing of the WVO, and (b) improve opportunities for consistent sales of the WVO. The program set forth in the FiltaBio Addendum is the "FiltaBio Program." If Filta is operating the FiltaBio Program in Your area of the country at the time of execution of the FiltaBio Addendum, then the terms of the FiltaBio Addendum will take effect immediately. If Filta is not operating the FiltaBio Program in Your area of the country at the time of execution of the FiltaBio Addendum, then notwithstanding the FiltaBio Addendum, You may sell WVO locally on your own terms, subject to the terms and conditions of this Agreement, until Filta sends You the "FiltaBio Notice" as provided in clause 8.2.2. If Filta has not sent You the FiltaBio Notice within six months after executing the FiltaBio Addendum, You agree to begin paying Filta an ongoing monthly fee equal to 12.5% of your Gross Monthly Revenue from WVO sales (the "WVO Sales Fee"). You must pay the WVO Sales Fee, if applicable, at the same time and by the same method as the Service Fee.
- 8.2.2 If Filta intends to begin operating the FiltaBio Program in your area, Filta will give You written notice (the "FiltaBio Notice") of the date on which the terms of the FiltaBio Addendum will go into effect, which will not be less than 45 days after the FiltaBio Notice. If Filta issues the FiltaBio Notice at any time after the WVO Sales Fee has commenced under clause 8.2.1, the WVO Sale Fee will terminate when the FiltaBio Program begins, except as to any amount due for the period before the start of the FiltaBio Program.
- 8.2.3 If and when You reach the point of collecting 2,000 gallons of WVO per month, You will have the option to replace the FiltaBio Addendum with the FiltaBio 6K Addendum attached to this Agreement as Exhibit 4.

8.3 FiltaCool Service

- 8.3.1 You acknowledge that a principal benefit of the relationship created by this Agreement is to give You access to the filters used in the FiltaCool Service. An initial supply of filters and holders is provided to You as part of the Opening Package. Filta agrees to supply (subject to the right to suspend shipment in clause 4.5), and You agree to purchase from Filta, all of Your requirements of FiltaCool filters and holders. Starting in the 4th Month of operation, You must pay Filta the then-current monthly FiltaCool Service Fee.
- 8.3.2 You agree to distribute the filters to customers on a monthly rental basis as outlined in the Manual. You agree to change out and de-gas at least once each quarter all filters at each customer location. After 27 months, you can return the spent filters to us for disposal. You can return unspent FiltaCool filters to us before the end of the 27 months for if You pay our then-current restocking fee.
- 8.3.3 You must purchase at least 40 filters per year in order to demonstrate diligent efforts to expand the FiltaCool business in the Territory. If You fail to purchase at least 40 filters in any year, Filta will have the right to revoke your exclusivity under clause 2.2 for the FiltaCool Service in the Territory on reasonable notice. If Filta revokes Your exclusivity for the FiltaCool Service as provided above, You may continue to service FiltaCool accounts but Filta may also solicit and service FiltaCool accounts, directly or through others, in the Territory.

8.4 FiltaGold Service

- 8.4.1 To offer the FiltaGold Service, You must sign the FiltaGold Addendum attached to this Agreement as Exhibit 5. You agree to purchase products and equipment and to provide FiltaGold Services to customers in accordance with the terms of the FiltaGold Addendum.

8.5 FiltaDrain Service

- 8.5.1 To offer the FiltaDrain Service, you must sign the FiltaDrain Addendum attached to this Agreement as Exhibit 6. You agree to purchase products and equipment and to provide FiltaDrain Services to customers in accordance with the terms of the FiltaDrain Addendum.

8.6 Sourcing of Other Products and Services

- 8.6.1 In addition to the requirements in clause 8.1 through 8.5, Filta has the right to require that all other equipment, supplies, products and services that You purchase for operation of or sale in the Franchise: (a) meet specifications that Filta establishes from time to time; and/or (b) be purchased only from suppliers that Filta has expressly approved; and/or (c) be purchased only from a designated source (which may be Filta or its affiliate). Filta will publish its requirements in the Manual and/or the Franchise Portal. The requirements may vary by type of Environmental Kitchen

Solutions Service. You are responsible for consulting the Manual and Franchise Portal to make sure that You are up to date on the requirements at all times.

- 8.6.2 Each additional Van that You purchase or lease for the Franchise must satisfy the requirements in clause 5.2. You may purchase or lease the additional Van from any source, provided that the Van meets Filta's specifications and standards and You obtain our written approval.
- 8.6.3 You agree not to assert any claims against Filta (or any officer, director or affiliate of Filta) with respect to any products and services that You obtain from third-party suppliers that are not affiliated with Filta by ownership. You must assert any such claims only against the supplier in question. You must provide Filta with written notice before taking any action in connection with such a claim. Filta will use diligent efforts to assist You in resolving any disputes with suppliers approved and/or designated by us.

8.7 No Resale or Transshipping

You are prohibited from selling or transshipping any MFU, MFU Filters, FiltaCool filters, or any other Equipment, supplies, or materials that You obtain from Filta, except that if another Filta franchisee experiences an emergency or an unforeseen shortage, You may offer to assist that franchisee with Filta's prior written consent.

8.8 General Requirements

You and/or the Operator must:

- 8.8.1 maintain his or her primary residence within 100 miles of the defined territory for Your Base Franchise, unless otherwise approved by Filta. "**Base Franchise**" means the oldest continuously-operated Filta Environmental Kitchen Solutions franchise that remains in operation under Your ownership;
- 8.8.2 when reasonably requested, demonstrate that You have adequate financing available to enable You fully to develop the Franchise in accordance with this Agreement;
- 8.8.3 carry on the Franchise to the highest standards of service;
- 8.8.4 use best endeavors to promote the Franchise and increase the demand for the Environmental Kitchen Solutions Services;
- 8.8.5 use in the operation of the Franchise only the filters, Equipment, Vans, Stationery, uniforms, and supplies that have been expressly approved by Filta or that satisfy the standards and specifications issued by Filta from time to time;
- 8.8.6 keep the Vans, MFU and uniforms clean and attractive to customers at all times, and maintain the Vans and all Equipment in the highest mechanical condition, including

but not limited to performing daily, weekly and monthly servicing of the MFU as prescribed in the Manual and updating the Van graphics as necessary to comply with Filta's specifications;

- 8.8.7 not do anything that may bring Filta, the Proprietary Marks, the System, or the Franchise into disrepute, cause a customer to terminate a National Account Contract, or otherwise have a detrimental effect on Filta, the Proprietary Marks, the System, or the Franchise;
- 8.8.8 comply with all statutes, laws and other legal requirements relating to the Franchise. This includes, but is not limited to, all federal, state and local laws regarding the transport, storage and disposal of WVO. You must at Your own expense obtain (and maintain) all licenses, permits and approvals (if any) that may be required;
- 8.8.9 permit Filta and any person authorized by Filta, on 72 hours' notice, to inspect Your facilities and operations during normal business hours (including but not limited to Your Vans, MFUs, waste oil storage facility, warehouse, or other areas where You keep Equipment, supplies or waste oil), to interview your employees in person or by other means, and to take copies or samples of any item relating to the Franchise;
- 8.8.10 devote full time and best efforts to the Franchise, and not engage in any other business or hold any full-time position of employment with any organization without the prior written consent of Filta. Based on its experience, Filta has determined that it will not consent to, and You acknowledge that You and the Operator are prohibited from, engaging in the production of biodiesel; and
- 8.8.11 not permit any person other than the Operator to manage the Franchise without Filta's prior written consent.

8.9 Compliance with Manual

- 8.9.1 You must comply with all mandatory elements of the Manual, as posted on the Franchise Portal and amended and supplemented by Filta from time to time. Any additions to or alterations of the mandatory portions of the Manual must be commercially reasonable in light of the requirements of this Agreement, the development of the System, the needs and desires of customers, general commercial practices in franchising, and the out-of-pocket costs of complying with the addition or alteration.
- 8.9.2 The Manual at all times remains the sole and exclusive property of Filta. You acknowledge that the copyright in the Manual vests in Filta. Neither You nor any other person subject to Your direction and control will print, download, or otherwise make any copies of the Manual without the prior written consent of Filta.

8.10 Monitor Sheets

You must record all pre-service and on-going monitoring activity at each customer site on a monitor sheet in the form prescribed by the Manual. Each monitor sheet must be signed by the manager or most senior representative of the customer at the site. Until the earlier of 90 days after the Opening Date or when Your Business Volume first exceeds \$1,000 per week, You must send Filta a copy of all monitor sheets by fax or other method that Filta specifies, by the 10th day of the Month preceding the activity. Thereafter, You do not have to send a copy to Filta unless requested, but all information required by this clause must be available at any time upon reasonable request by Filta;

8.11 Use of Name and System

- 8.11.1 You may use the Proprietary Marks only in connection with the Franchise. You may not, without Filta's prior written consent, register any company name or trademark or make use of any business name incorporating any of the Proprietary Marks or incorporating any similar sounding name.
- 8.11.2 All telephone answering messages, email autosignatures, and other identifiers of the Franchise must be in the form prescribed in the Manual from time to time.
- 8.11.3 You may use only such signs, display materials, promotional literature, and other items in connection with the Franchise as have been approved in writing by Filta. At Filta's request, You must immediately desist from the use or display of any signs, materials or objects.

8.12 Trading

You must:

- 8.12.1 sell or provide only the Environmental Kitchen Solutions Services and products approved by Filta from time to time;
- 8.12.2 offer customers all of the services constituting the Environmental Kitchen Solutions Services. Starting in the 13th Month after the Opening Date, if You are not offering customers all of the Environmental Kitchen Solutions Services, You must pay Filta a fee of \$100 per omitted service per Month. Filta will also have the right, on reasonable notice, to revoke your exclusivity under clause 2.2 for any omitted service. These are in addition to any other remedies Filta may have;
- 8.12.3 except as permitted by clause 2.4, not operate the Franchise or provide Environmental Kitchen Solutions Services to customers outside of the Territory; and
- 8.12.4 promptly inform Filta of all relevant details of any inquiry from a potential customer outside of the Territory;

- 8.12.5 as and when You receive a request from Filta, provide a full list of the customers that You are servicing, with such other details as Filta may reasonably require. You acknowledge that Filta has the rights, among other things, to: (a) solicit customers that You are servicing to enter into a National Account Contract; (b) deal directly with customers under existing National Account Contracts; and (c) contact customers for commercial purposes other than the Environmental Kitchen Solutions business. Upon expiration or termination of this Agreement for any reason, You may not retain or use any customer lists or other data that You have collected from customers in connection with the Franchise;
- 8.12.6 operate the Franchise at least Monday through Saturday to meet the needs of customers. You recognize that You may need to operate the Franchise during evening, weekend and holiday hours in order to provide service at times convenient to customers;
- 8.12.7 pay Your vendors in accordance with their terms of payment;
- 8.12.8 promptly replace or refund to the customer the cost of any product or service supplied by You which does not conform with the high standards required by the System;
- 8.12.9 not make any statement, representation, or claim or give any warranty to any person in respect of products and services offered by the Franchise, except as specifically authorized in the Manual; and
- 8.12.10 not contact a corporate headquarters of any National Account Contract customer listed on the Franchise Portal without the express consent of Filta.

8.13 Web Site Leads and Online Presence

- 8.13.1 Filta will refer to You without charge any leads that Filta receives through its web site, provided that (i) the inquiry is not from a person in an organization that has a National Account Contract, and (ii) Filta is able to determine that the potential customer is located in Your Territory. If You do not promptly respond to the potential customer, Filta may contact or service the customer, or refer the customer to a franchisee outside of Your Territory for service.
- 8.13.2 Unless agreed to in writing by Filta, You may not register, maintain or sponsor any URL, web site, social media account, discussion forum, blog, email account, text address, or other electronic identifier or electronic, mobile or Internet presence for the Franchise or that otherwise uses or displays any of the Proprietary Marks or any derivative thereof or promotes any products or services similar to those of the Franchise. We have the right to prescribe rules and policies for such activities in the Manual. If we authorize You to engage in any such activities, You agree to adhere to our rules and policies, as amended from time to time, and not to make any statements about Filta or any franchisee or competitor of Filta that may constitute trade disparagement.

8.14 Information Systems

8.14.1 Franchise Portal

The Franchise Portal will have such features and terms of use as Filta may determine from time to time. You must use the Franchise Portal to access the Manual and for reporting, training, or other purposes as directed by Filta from time to time. You must maintain an active broadband internet connection at all times. You must log-on to the Franchise Portal at least once per week and read all email, news, Manual updates and other items. Starting in the 1st Month after the Opening Date, You must pay the Information System User Fee on the Fee Payment Date for access to the Franchise Portal.

8.14.2 Quickbooks

You must install and use Quickbooks for your businesses bookkeeping and invoicing needs. The Quickbooks program must be installed on Your computer prior to the Opening Date.

8.14.3 System Maintenance

You must maintain Your Information Systems in good working order at all times and must ensure that Your employees are adequately trained in the use of the computer system and the Franchise Portal. You must transmit data to Filta via the Franchise Portal as specified in Article 11 below. You must bear all costs of installation, operation, and maintenance of Your Information Systems.

8.14.4 Upgrades

Filta has the right to require upgrades in equipment and software from time to time, provided that, for any such request by Filta, You will not be obligated to spend more than \$1,000 and You will not be obligated to spend more than \$2,500 in the aggregate for such upgrades over the initial 10-year term of this Agreement. You must acquire and install, at Your own expense, computer equipment and software meeting the specifications set out in the Manual from time to time.

8.15 Customer Endorsements

You acknowledge that customer endorsements are critical to the marketing of the Environmental Kitchen Solutions Services and that such endorsements are shared throughout the franchise network via the Franchise Portal. You agree to deliver to Filta a minimum of 6 separate testimonial letters from customers that You are servicing, written on the customer's business stationery, during each of Your first three years of operation, for a total of no fewer than 18 by the end of the third year. If You obtain more than the required number of testimonials by the end of the first two years, the excess number will reduce the number required in the following year.