

**CHEMKLEEN ENVIRONMENTAL SOLUTIONS INC.**

**FRANCHISEE ESTIMATED START UP COSTS \***

<b>Expenditure</b>	<b>Estimates/Actual</b>	<b>Description</b>
Franchise Fee <sup>1</sup>	\$35,000	Initial fee to ChemKleen or master franchisor for a 10-year operating term and training as set out in Franchise Disclosure Document.
Primary Equipment <sup>2</sup>	NIL or down payment if fully financed. [10-year financing arrangement, valued at \$75,000] <sup>3</sup>	Specialized and individually built polishing and cleaning equipment and trailer for the particular demands of the territory being served.
Other Equipment and Supplies <sup>4</sup>	\$2,000 to \$4,000	Miscellaneous polishing and cleaning supplies, uniforms, marketing materials, etc.
Vehicle <sup>5</sup>	\$2,000 to \$25,000	Pick-up truck for hauling primary polishing and cleaning equipment to customer site.
Insurance <sup>6</sup>	\$2,000 to \$3,000	Insurance on business including general liability, contents, cargo, business interruption, crime, vehicle, employees, etc.
Security (re: equipment) <sup>7</sup>	\$750 to \$1,500	Securing your vehicle, the primary polishing and cleaning equipment and other supplies, either on personal property or at a secure location.

Working Capital <sup>8</sup>	\$7,500 - \$15,000 (workforce), \$3,000 - \$5,000 (no workforce)	Cost of recruiting and retaining capable employees or contractors to perform on-site work and back office work, together with other miscellaneous work-related costs.
Expenses Incurred During Training <sup>9</sup>	\$200 to \$400 per day	When you are at our training location you are responsible for travel from your own location, together with food and lodging.
Grand Opening & Initial Local Advertising <sup>10</sup>	\$2,000 to \$5,000	Making an initial splash in your local market represents an initial one-time expenditure to accelerate the business process, above the ongoing advertising and marketing cost.
Professional Fees <sup>11</sup>	\$2,000 to \$4,000	Lawyers, accountants, and other consultants, that you might engage for purposes of launching the business and reviewing the relevant business documents.
Misc. Home Office Expenses (cellphone, computer, furniture, etc.)	\$200 to \$1,500	Home office expenses to the extent that you need to supplement your current home office, including cellphone, computer, furniture, etc.
Real Estate/Rent [if undertaken] <sup>12</sup>	T.B.D.	Can be avoided at the outset by using a home office and secure storage location for your vehicle, equipment, and supplies; nevertheless, you may wish to now or at a later date lease office/warehouse space in an industrial area to undertake the franchised business operations.

**Notes:**

**The above-noted figures do not include applicable sales taxes. You may be entitled to an input tax credit for any sales tax paid by you.**

\* These figures do not include an amount for payment of your personal living expenses. This is not an all exhaustive list as you may incur additional expenses in establishing and operating your Franchised Business. All amounts above may vary.

1. Franchise Fee – See explanation set forth in Franchise Disclosure Document and Franchise Agreement.
2. Primary Equipment – Given that the Primary Equipment is built to meet the specifications of the anticipated clientele and the prevalent environment of the Franchisee’s territory, there may be some variance in the associated cost and therefore the amount that is actually financed together with the monthly payments that will be due under the financing arrangement. All Primary Equipment is only attainable pursuant to an equipment financing arrangement, with the specific terms of the financing arrangement, including the down payment, if any, still being negotiated and subject to such further particulars of the franchisee’s financials that may result in significant changes to the financing arrangement in the third party financier’s sole discretion.
3. Primary Equipment Financing - We are presently in negotiations to have the primary equipment fully financed by a third-party financier, such that the only payment thereon at the outset would possibly be the down payment, which would be determined in part by the individual franchisee’s personal financials.
4. Equipment and Supplies – These are estimates with respect to core equipment and supplies (in addition to the Primary Equipment) that you will be required to utilize, however depending upon innovations, the scope and cost of equipment may change over time. Prior to the opening of the Franchised Business, we will provide you with a list of initial inventory. You must purchase these items from our Designated Equipment Supplier or, where permissible, authorized suppliers. This estimate is for the recommended minimum start-up inventory and the necessary equipment and supplies which meet our specifications.
5. Vehicle - A pick-up truck is the suggested vehicle for hauling the Primary Equipment, such that pre-existing ownership of a capable vehicle in acceptable condition could eliminate this start-up cost, otherwise the vehicle will need to be either purchased or leased.
6. Insurance – This estimate is based on insurance premiums to be paid over the course of one year, nevertheless, this will be impacted by factors specific to your Franchise and the determination of the insurance provider. You must purchase insurance in accordance with our specifications, which needs to include at a minimum the required insurance for the business, your business vehicle and the Primary Equipment. See explanation set forth in Franchise Disclosure Document and Franchise Agreement.
7. Security – Appropriate security needs to be provided for the Primary Equipment, especially as to where it is parked overnight, as it is imperative that your Franchise is not derailed by the theft of the Primary Equipment, such that your Franchise’s clientele cannot be serviced for several weeks while replacement Primary Equipment is being built and delivered. This might be undertaken at your own real estate or at a secured parking facility (such that Real Estate/Rent considerations would be required).

8. Working Capital – Working capital for the first month, which can be substantial if you are hiring employees and/or independent contractors to work with yourself on your Franchise. Conversely, if you are undertaking the Franchised Business with a business partner (whether through a partnership arrangement or company) and you are both actively engaged in the Franchised Business, you might be able to undertake the Franchised Business initially without hiring any employees or independent contractors, such that the major working capital consideration would effectively be ameliorated. Non-workforce costs in operating the business, that are not otherwise denoted herein, can fluctuate based on the location of the Franchised Business and how it is undertaken. We cannot guarantee that our above estimate will be sufficient as additional funds may be required to cover your business operating expenses (as well as your personal expenses) until such time that you could produce a positive cash flow. Additional working capital may be required if sales are low or operating costs are high. By providing you with a working capital estimate, we are not necessarily suggesting that you will reach “breakeven” or any other financial goal within this period or any other particular timeframe.
9. Training –The cost of initial training based upon two (2) individuals, although training necessarily requires all of the owners with respect to the business aspects of the Franchised Business and at least two (2) individuals who are being trained in the operational elements of the Franchised Business, with this representing the cost that is included in the Franchise Fee. However, you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. These expenses are typically non-refundable. Before making airline ticket, hotel, rental car or other reservations, you should inquire about the refund policy in the event you have to cancel any reservation. You are also responsible for the transportation costs (air travel undertaken at economy seating) and lodgings (commercially reasonable rates) for the training team that will work with the Franchised Business during its first week of operations.
10. Grand Opening & Local Advertising – This estimate is for the recommended minimum start-up supplies and promotional materials. You may choose to do this on your own (but in conformity with our stated Grand Opening and Advertising/Marketing guidelines) and/or with the active involvement from ourselves.

You must conduct a grand opening advertising and promotional program for the Franchised Business during the period commencing 30 days before and ending 90 days after the Franchised Business opens, in accordance with such grand opening advertising requirements as we may specify from time to time. You must provide us with a summary of your expenditures within 120 days after your Franchised Business opens.

In addition, you must spend a minimum of 1.5% of your Gross Sales on local advertising each year, which may include newspaper advertisements, “Yellow Pages” advertising, flyers, brochures, coupons, direct mail pieces, radio and television advertising.

See the Franchise Disclosure Document and Franchise Agreement for further details regarding advertising.

11. Professional Fees – You will need to retain a lawyer, an accountant and other consultants to assist you in establishing your Franchised Business. These fees may vary from location to location

depending upon the prevailing rates of local lawyers, accountants and consultants. These fees are typically non-refundable.

12. Real Estate / Rent – Although the Franchised Business has been designed so as to eliminate the need for Real Estate / Rent, being designed as a home business, there is nevertheless the possibility that you might either require a secure parking facility to store your business vehicle and the Primary Equipment or you may wish to have commercial space from which you operate your Franchised Business, such that you would incur the costs associated with Real Estate / Rent. You must pay all rent and other fees payable under any rental or lease agreement, including but not limited to deposits, base rent, additional rent, utilities, fixturing, leasehold improvements. We cannot estimate the amount of rent, as it will vary depending on a number of factors, including size, condition and location of the leased premises.